

# Notice of Special Meeting



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## The Board of Retirement of the San Mateo County Employees' Retirement Association will convene a two-day special meeting on **Tuesday, April 29, 2014, starting at 9:00 a.m. and** **Wednesday, April 30, 2014, starting at 9:00 a.m.**

Please take notice that the Chair of the Board of Retirement, acting pursuant to the authority of Government Code §54956, hereby calls a two-day special meeting to take place at the times and dates listed above. The meeting is for the purpose of discussing and transacting the following business:

### Day 1: Agenda for Tuesday, April 29, 2014

**PUBLIC SESSION** - The Board will meet in Public Session at 9:00 a.m.

1. **Call to Order, Roll Call and Miscellaneous Business**
2. **Oral Communications and Retreat Activities**
  - 2.1 Oral Communications From the Board
  - 2.2 Oral Communications From the Public
  - 2.3 Retreat Presentations and Discussions *(See attached agenda and list of presenters)*
3. **Approval of the Minutes**
4. **Approval of the Consent Agenda (\* Set for a time certain of 2:30 p.m., April 29)**

*(Items removed from the Consent Agenda will be taken up during the Regular Agenda under Item 5.1 and in the order determined by the Board Chair.)*

4.1 Disability Retirements	4.8 Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Website Developer
• Faina Birman	
• William Lopez	
• Jack Yaco	
4.2 Service Retirements	4.9 Resolution Authorizing Chief Executive Officer to Execute an Agreement to Upgrade Microsoft Dynamics Great Plains Software.
4.3 Continuances	
4.4 Deferred Retirements	4.10 Q3 Quarterly Budget Report for Period Ending March 31, 2014
4.5 Member Account Refunds	4.11 Acceptance of a Gift from Daegis Inc. of Used Office Furniture
4.6 Member Account Rollovers	4.12 Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff
4.7 Trustees' Requests for Additional Educational Activities	
5. **Benefit & Actuarial Services**
  - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
6. **Investment Services**
  - 6.1 Preliminary Monthly Performance Report for the Period Ending March 31, 2014
  - 6.2 Report on the Annual Review of SamCERA's International Managers (Eaton Vance, Franklin Templeton, and Pyramis)
  - 6.3 Discussion and Approval of Proposed Changes to the Investment Policy
  - 6.4 Discussion and Approval of Proposed Alternative Investment *(Confidential Under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, C2)*

**\* Matters set for a time certain. Time listed is approximate. In no case will any item be heard before the time it is scheduled.**

**7. Board & Management Support Services**

- 7.1 Discussion and Approval of SamCERA 2014-15 Budget
- 7.2 Approve a Resolution Authorizing the Chief Executive Officer to Execute Agreements with Northern Trust Company For Global Custody Services and Securities Lending
- 7.3 Approval of Resolution Revising the Board's Education Policy
- 7.4 Discussion of SACRS Business Meeting Topics Including Final SACRS Nominating Committee Slate of Officer Candidates

**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**
- C2 Discussion and Approval of Proposed Alternative Investment** (*Confidential Under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, Item 6.4*)
- C3 Public Employee Appointment in Accordance with Government Code §54957.**  
Title: Chief Executive Officer. Approval of Ideal Candidate Description for Chief Executive Officer Recruitment
- 9. Report on Actions Taken in Closed Session**
- 10. Recess** (*the meeting/retreat will reconvene at 9:00 a.m. on Wednesday, April 29, 2014*)

**Day 2: Agenda for Wednesday, April 30, 2014**

**PUBLIC SESSION** - The Board will reconvene at 9:00 a.m.

- 1. Call to Order, Roll Call and Miscellaneous Business**
- 2. Oral Communications and Retreat Activities**
  - 2.1 Oral Communications From the Board
  - 2.2 Oral Communications From the Public
  - 2.3 Retreat Presentations and Discussion (*Continued from Tuesday, April 30, 2014, see attached agenda and list of presenters*)
- 3. Adjournment in Memory of the Following Deceased Members:**

Pemberton, Beverly	February 12, 2014	Beneficiary of Fries, Gustav
Arnold, Virginia	February 27, 2014	Human Resources
Moore, Judith A.	March 10, 2014	Mental Health
Moreno, Amy	March 3, 2014	Mental Health
VanCantfort, Marilyn	March 4, 2014	Beneficiary of VanCantfort, Rollin
Kalis, Betty	March 9, 2014	Mental Health
Geimer, Irene	March 12, 2014	EDP
Prime, Patricia	March 14, 2014	Courts
Pantoja, Victoria	March 15, 2014	Social Services
Ketchens, John	March 19, 2014	General Services
Wyman, Patricia	March 21, 2014	Tax Collector's Office
Nelson, Dena	March 21, 2014	Courts

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Bloom, Murray	March 22, 2014	Probation
Paull, Forrest	March 23, 2014	Sheriff's Office
House, Betty	March 23, 2014	Hospital
Proctor, Patricia	March 26, 2014	Sheriff's Office
Woodard, Josephine	March 27, 2014	Probation
Parker, Leslie	March 27, 2014	Probation

Natalie Kwan Lloyd, Chair, Board of Retirement

Posted: April 23, 2014

**THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,**

WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.

Detailed directions are available on the "Contact Us" page of the website [www.samcera.org](http://www.samcera.org)

*Free Parking is available in all lots in the vicinity of the building.*

*A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.*

**IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:**

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact SamCERA at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

*Agenda & Presenters*

# Board / Staff Retreat

April 29 & 30, 2014



San Mateo County Employees'  
Retirement Association

**BOARD / STAFF RETREAT AGENDA**  
**Day One—Tuesday, April 29, 2014**

<b><u>TIME</u></b>	<b><u>TOPIC AND PRESENTER</u></b>
<b>8:30 a.m.</b>	<b>Coffee and Refreshments</b>
<b>9:00 a.m.</b>	<b>Welcome</b> Presenter: David Bailey, Chief Executive Officer, SamCERA
<b>9:15 a.m.</b>	<b>The Fed and the Economy</b> Presenter: Dr. John Bellows, Western Asset Management
<b>10:15 a.m.</b>	<b>Break</b>
<b>10:30 a.m.</b>	<b>Immunizing the Fund</b> What does immunizing mean? What methods are utilized? Pros and Cons of each. Presenter: Strategic Investment Solutions
<b>11:30 a.m.</b>	<b>Open Discussion</b>
<b>12 Noon</b>	<b>Lunch</b>
<b>1:15 p.m.</b>	<b>Government Transparency Laws</b> Presenter: Brenda Carlson, Chief Legal Counsel, SamCERA
<b>2:15 p.m.</b>	<b>Break</b>
<b>2:30 p.m.</b>	<b>Beginning of Regular Board Meeting Agenda</b>

**BOARD / STAFF RETREAT AGENDA**  
**Day Two—Wednesday, April 30, 2014**

<u>TIME</u>	<u>TOPIC AND PRESENTER</u>
<b>8:30 a.m.</b>	<b>Coffee and Refreshments</b>
<b>9:00 a.m.</b>	<p><b>Deep Dive</b>            Led by Mike Coultrip. Assess manager performance vs indexes, other systems, and managers not chosen. Show risks of the fund in various ways. Show allocations in various ways, including, for example, total bond risk from fixed income allocation plus risk parity. How are we doing as manager selectors? Are our managers meeting our expectations? How does SamCERA'S investment performance compare with that of other '37 Act pension systems of comparable size and UAAL? Show risks of the fund in various ways. For example, total bond risk from fixed income allocation plus risk parity and other allocations.</p> <p>Presenters: Patrick Thomas, Vice President, SIS and Michael Coultrip, Chief Investment Officer, SamCERA</p>
<b>10:15 a.m.</b>	<b>Break</b>
<b>10:30 a.m.</b>	<b>Dive Deep - Continued</b>
<b>11:30 a.m.</b>	<b>Open Discussion</b>
<b>12 noon</b>	<b>Lunch (Board and SamCERA Staff)</b>
<b>1:15 p.m.</b>	<p><b>Understanding Certain Medical Conditions Routinely Raised in Disability Applications</b>            Presenter: Dr. Henry Brodtkin, SamCERA Medical Advisor.</p>
<b>2:15 p.m.</b>	<b>Break</b>
<b>2:30 p.m.</b>	<p><b>Actuarial Presentation</b>            Discussion of process to determine assumptions such as Wage Inflation, Longevity, Mortality etc.            Presenter: Nick Collier, Milliman, Inc.</p>
<b>3:30 p.m.</b>	<p><b>Ad Hoc Benefits</b>            A summary of the issues surrounding this topic.            Presenters: David Bailey and Brenda Carlson</p>
<b>4:30 p.m.</b>	<b>Open Discussion</b>
<b>5:00 p.m.</b>	<b>End of Retreat – Adjournment in the Memory of Our Deceased Members</b>

March 25, 2014 – Board Agenda

**PUBLIC SESSION** – The Board will meet in Public Session at **10:30 a.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 \* (Set for 1:00 p.m. time certain)**

<ol style="list-style-type: none"> <li>4.1 Disability Retirements               <ul style="list-style-type: none"> <li>• Teresa Estipona</li> <li>• Luz Estrada</li> <li>• Sol Hafalia</li> <li>• Tonya Lawrence</li> <li>• Michelle Rippy</li> </ul> </li> <li>4.2 Service Retirements</li> </ol>	<ol style="list-style-type: none"> <li>4.3 Continuances</li> <li>4.4 Deferred Retirements</li> <li>4.5 Member Account Refunds</li> <li>4.6 Member Account Rollovers</li> <li>4.7 SACRS Recommended Officers</li> <li>4.8 SACRS Voting Delegates</li> <li>4.9 Report on County Prepayment FY 2014-2015</li> </ol>
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- 5. Benefit & Actuarial Services**
  - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 6. Investment Services**
  - 6.1 Preliminary Monthly Performance Report for the Period Ending February 28, 2014
  - 6.2 Discussion and Approval of Risk Parity Finalist Candidates
  - 6.3 Discussion and Approval of Proposed Changes to Investment Policy
  - 6.4 Discussion and Approval of Proposed Alternative Investment (*Confidential Under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, C2*)
- 7. Board & Management Support**
  - 7.1 Introduction of SamCERA’s Sources, Uses, and Budget Report for FY 2014-2015
  - 7.2 Discussion and Approval of CEO Recruitment Plans
  - 7.3 Report on the Status of Annual Board-Staff Retreat
  - 7.4 Annual Review of SamCERA’s Education and Travel Policies
- 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
- C2 Discussion and Approval of Proposed Alternative Investment (*Confidential Under Gov. Code §54956.81 and §6254.2*)
- C3 Public Employee Performance Evaluation in accordance with Government Code §54957.  
Title: Chief Executive Officer.

**9. Report on Actions Taken in Closed Session**

**10. Adjournment in Memory of the Following Deceased Members:**

Whitmore, Elaine	February 1, 2014	Elections
Cabaniss, Leonard	February 6, 2014	Sheriff's Office
Byrne, Bernard	February 6, 2014	Beneficiary of Byrne, Marian
Nelson, Marie	February 9, 2014	Courts
Dobson, Eleanor	February 10, 2014	Social Services

Nishimura, Masako	February 15, 2014	General Services
Carney, Francis	February 17, 2014	Probation
Olson, Lorna	February 18, 2014	Beneficiary of Olson, Stanley
Leonhardt, Betty	February 21, 2014	Beneficiary of Leonhardt, Lawrence
Owen, Donald	February 25, 2014	Sheriff's Office
McCulloch, Thomas	February 26, 2014	Hospital

**MARCH 25, 2014 –SPECIAL BOARD MEETING MINUTES**

1403.1 **Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Ms. Natalie Kwan Lloyd, Chair, called the Special Meeting of the Board of Retirement to order at 10:30 a.m.

**Roll Call:**

*Present:* Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, and David Spinello.

*Excused:* Sandie Arnott and Eric Tashman.

*Alternates present:* Christopher Miller, Alma Salas.

*Staff:* David Bailey, Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Elizabeth LeNguyen and Kristina Perez.

*Consultants:* From SIS – Patrick Thomas, Jonathan Brody and Faraz Shooshani.

1403.2.1 **Oral Communications From the Board:** Ms. Agnew reported her attendance at the Women’s Private Equity Summit in Half Moon Bay, March 13, 2014; and her attendance at the Center for Socially Responsible Business at Mills College, for the Annual Spring Conference (CSRB14) on March 14, 2014. Mr. Hackleman reported his attendance at IFEBP’s Investment Institute, March 3-5, in Clearwater, Florida. Mr. Spinello and Ms. Settles reported their attendance at the CALAPRS General Assembly in Palm Springs, March 1-4, 2014. Ms. Arnott was also in attendance at CALAPRS.

1403.2.2 **Oral Communications From the Public:** Mr. Miller attended the CALAPRS General Assembly.

1403.3.1 **Approval of the Regular Board Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the Regular Board Meeting minutes of February 25, and none were noted. **Action:** Mr. David moved to approve the minutes from the Regular Board Meeting held on February 25, 2014. The motion was seconded by Mr. Hackleman and carried with a vote of 7-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, and Spinello; none opposed.

The Chair adjourned the meeting into closed session at 10:34 a.m. to hear agenda item **6.4 - Discussion and Approval of Proposed Alternative Investment (Confidential Under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, C2).**

The meeting was reconvened in open session at 11:09 a.m. A report was given regarding item 6.4 at the end of the meeting. The agenda continued with the 6 series items.

1403.6.1 **Preliminary Monthly Performance Report for the Period Ending February 28, 2014:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. SamCERA’s preliminary return for February was + 3.4%. This item was informational only and no action was taken.



1403.6.2 **Discussion and Approval of Risk Parity Finalist Candidates:** Mr. Coultrip discussed the risk parity finalist candidates with the Board. Bridgewater, PanAgora and Invesco had been selected to receive a Request for Information last month. After reviewing the RFI responses, and discussing the benefits and qualities of each candidate, staff and SIS recommended interviews with Bridgewater and PanAgora as the next step.

**Action:** Mr. David moved to direct staff to continue the selection process for a risk parity manager by interviewing Bridgewater and PanAgora. The motion was seconded by Ms. Settles and carried with a vote of 7-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, and Spinello; none opposed.

1403.6.3 **Discussion and Approval of Proposed Changes to Investment Policy:** Mr. Coultrip reviewed the changes discussed at the February Board meeting regarding Sections 1-7 of the Investment Policy. Conversation continued regarding Sections 8-14, and topics including ESG and proxy voting were discussed. This item was for discussion only and no action was taken.

The meeting was adjourned for a short break at 1:00 p.m. and reconvened at 1:09 p.m. The Consent Agenda was heard next.

1403.4.0 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if the Board wished to remove any items from the Consent Agenda, and all items remained.

**Action:** Mr. David moved to approve the Consent Agenda, and the motion was seconded by Mr. Spinello. The motion carried with a vote of 7-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, and Spinello; none opposed.

1403.4.1

#### Consent Agenda

##### 4.1 Disability Retirements

- a. The Board found that **Teresa Estipona** is (1) not permanently incapacitated for the performance of her usual and customary duties as a Correctional Health Nurse, and (2) denied her application for a service-connected disability retirement.
- b. The Board found that **Luz Estrada** is (1) permanently incapacitated for the performance of her usual and customary duties as a Staff Nurse, (2) found that her disability was not a result of an illness arising out of and in the course of her employment, (3) denied her application for a service-connected disability retirement and (4) granted her a non-service-connected disability retirement.
- c. The Board found that **Sol Hafalia** is (1) not permanently incapacitated for the performance of her usual and customary duties as a Clinical Nurse, and (2) denied her application for a service-connected disability retirement.
- d. The Board found that **Tonya Lawrence** is permanently disabled from the duties of a Family Support Officer and granted survivor benefits, pursuant to Government Code Section 31781.1, to one of the member's surviving minor children, Malia Smith.
- e. The Board found that **Michelle Rippy** is (1) permanently incapacitated for the performance of her usual and customary duties as a Supervising Deputy Coroner, (2) found that her disability was a result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.

1403.4.1 **Service Retirements**

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Bernard, Girdie	January 3, 2014	Tax Collector's Office
Broderick, Joseph	January 4, 2014	Hospital
Corden, Carol	February 1, 2014	Human Services Agency
Cuellar, , Celia	March 30, 2014	Human Services Agency
Evans, Constance	January 2, 2014	Hospital
Gaines, Laurance	January 17, 2014	Deferred from Sheriff's Off
Lee, Connie	January 11, 2014	Hospital
Melara, Mauricio	January 21, 2014	Hospital
Rossi, Steven	January 4, 2014	Human Resources
Vong, Kathy	January 11, 2014	Deferred from Hospital
Yoshihara, Arthur	January 18, 2014	Human Services Agency

1403.4.3 **Continuances**

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Burner, Carole	Burner, Gerald
Spells, Annie May	Spells, Robert

1403.4.4 **Deferred Retirements**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Brooks, Shannon	G2 Vested
Smith, Derek	G4 Vested – Reciprocity
Mackewicz, Kelly	G4 Vested - Reciprocity
Payne, Shelia	G4 Vested - Reciprocity
Lee, Jonathan	G4 Vested
Santos, David	G1 Vested – Reciprocity
Freeman, Beth	G2 Vested
Jones, Ricky	P4 Vested
Bay, Duane	G4 Vested - Reciprocity

1403.4.5 **Member Account Refunds**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Lopez, Judith	G4 Vested
Platon, Jose	G4 Non-vested

1403.4.6 **Member Account Rollovers** - None

1403.4.7 **SACRS Recommended Officers:** The Board accepted the report regarding the recommended officers for SACRS.

1403.4.8 **SACRS Voting Delegates:** The Board approved Lauryn Agnew as the Voting Delegate for SACRS, with Ben Bowler as the first alternate and David Bailey as the second alternate.

- 1403.4.9 **Report on County Prepayment FY 2014-2015:** The Board accepted the report on the pre-payment of employer contributions for FY 2014/2015.
- 1403.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.
- 1403.7.1 **Introduction of SamCERA's Sources, Uses, and Budget Report for FY 2014-2015:** Mr. Hood went over the FY 2014-2015 budget and noted that the PASS project would be increasing the technology budget and the new lease would impact the administrative budget. This item was informational only and no action was taken.
- 1403.7.2 **Discussion and Approval of CEO Recruitment Plans:** Mr. Bailey and Mr. Hackleman summarized the March 20 meeting of the Succession Planning Committee and asked for Board approval of an updated Recruitment and Marketing Plan for the Chief Executive Officer Position as recommended by the committee. Ms. Agnew moved approval of the plan. The motion was seconded by Mr. Spinello and carried with a vote of 7-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, and Spinello; none opposed.
- 1403.7.3 **Report on the Status of Annual Board-Staff Retreat:** Mr. Bailey went over the proposed agenda for the retreat scheduled for April 29-30, 2014. He reviewed the topics, presenters and schedule with the Board. This item was for discussion only and no action was taken.
- 1403.7.4 **Annual Review of SamCERA's Education and Travel Policies:** Mr. Bailey discussed the Board's travel and education policies. He reviewed the current policy and compared other systems' travel practices with SamCERA's. He proposed for staff to continue to look into a policy that set a certain number of conferences for trustees to attend, rather than a budget amount. Staff will bring back policy revisions for further discussion and approval at the next meeting. This item was for discussion only and no action was taken.
- 1403.8.1 **Chief Executive Officer's Report:** Mr. Bailey noted that this meeting had begun at 10:30 a.m. instead of 1:00 p.m., and said that another early start time would be considered in June since the response had been favorable.
- 1403.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported he was renewing the "Forward Looking Calendar" and a sample was included in the Board's meeting folder. He also discussed the GASB 67 and 68 implementation activities and noted the actuary is assisting staff with compliance.
- 1403.8.3 **Chief Investment Officer's Report:** Mr. Coultrip informed the Board that three responses were received for the RFP for custodial bank services and there would be a significant increase in the cost for this service going forward. Staff was reviewing the RFPs and will come back to the Board with more information in April. The selection committee of Mr. Coultrip, Ms. Wong, Ms. Chezelle Milan, and Mr. Hood is reviewing the proposals. Mr. Coultrip also reported that two real asset opportunities were coming, and he would review them with the Board after some due diligence.
- 1403.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reminded Board members to complete and turn in their Form 700 and that the gift tracking form is available from SamCERA. Ms. Carlson also reported that she is still following the legal matter in Contra Costa County regarding "on-call" pay as it relates to current, non-PEPRA members.
- 1403.9.0 **CLOSED SESSION - Report on Actions Taken in Closed Session:**
- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda:** None.

C2 **Discussion And Approval Of Proposed Alternative Investment** (*Confidential Under Gov. Code §54956.81 And §6254.2, To Be Heard In Closed Session, 6.4*): As reported by Ms. Carlson, The Board met in Closed session in regards to ABRY Securities Fund III, L.P., an alternative investment. A motion was made by Mr. Hackleman and seconded by Mr. David to invest \$22.5 million into the ABRY Securities Fund III, L.P. The motion carried with a vote of 7-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, and Spinello; none opposed.

C3 **Public Employee Performance Evaluation in accordance with Government Code §54957.** *Title: Chief Executive Officer:* Ms. Carlson reported there was no reportable action taken.

1403.10 **Adjournment:** Ms. Kwan Lloyd adjourned the meeting at 4:18 p.m. in memory of the following deceased members:

Whitmore, Elaine	February 1, 2014	Elections
Cabaniss, Leonard	February 6, 2014	Sheriff's Office
Byrne, Bernard	February 6, 2014	Beneficiary of Byrne, Marian
Nelson, Marie	February 9, 2014	Courts
Dobson, Eleanor	February 10, 2014	Social Services
Nishimura, Masako	February 15, 2014	General Services
Carney, Francis	February 17, 2014	Probation
Olson, Lorna	February 18, 2014	Beneficiary of Olson, Stanley
Leonhardt, Betty	February 21, 2014	Beneficiary of Leonhardt, Lawrence
Owen, Donald	February 25, 2014	Sheriff's Office
McCulloch, Thomas	February 26, 2014	Hospital

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

April 29, 2014

Agenda Items 4.1- 4.6

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager



Subject: Approval of Consent Agenda Items 4.1 – 4.6

**4.1 Disability Retirements**

- a) The Board find that **Faina Birman** is (1) permanently incapacitated for the performance of her usual and customary duties as a Nurse Practitioner, (2) find that her disability was a result of an injury arising out of and in the course of her employment, and (3) grant her application for a service-connected disability retirement.
- b) The Board find that **William Lopez** is (1) permanently incapacitated for the performance of his usual and customary duties as an Institutional Services Manager, (2) find that his disability was a result of an injury arising out of and in the course of his employment, and (3) grant his application for a service-connected disability retirement.
- c) The Board find that **Jack Yaco** is (1) permanently incapacitated for the performance of his usual and customary duties as an Administrative Assistance 1-C, (2) find that his disability was a result of an injury arising out of and in the course of his employment, and (3) grant his application for a service-connected disability retirement.

**4.2 Service Retirements**

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Castle, Mary	March 1, 2014	Libraries
Concepcion, Antonio	February 18, 2014	Public Health
Fajardo, Teresita	February 28, 2014	Hospital
Freeman, Beth	February 26, 2014	Deferred from Courts
Ibanez, Fernando	March 1, 2014	Hospital
Kelleher, Carolyn	March 3, 2014	Deferred from CMO
Korpiel, Adina	February 11, 2014	Deferred from Courts
Lockman, Gary	March 1, 2014	Parks Department
Martinez, Harry	March 1, 2014	Corrections
McKinley, Brian	February 16, 2014	Sheriff's Office
Morris, Arthur	February 19, 2014	Health Administration

Semana, Eunice	February 2, 2014	Tax Collector's Office
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#### **4.3 Continuances**

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Omai, Noboru	Omai, Misayo
Spahn, Charlene	Spahn, Peter
Carney, Margaret	Carney, Francis
Sanchez, Irma	Sanchez, Joseph

#### **4.4 Deferred Retirements**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Blanchard, Barbara	G4 Vested
Holland, David	G4 Vested
Ramirez, Lucy	G4 Vested
Olsson, Nancy	G4 Vested
Da Rosa, Maxine E.	G4 Vested
Jameson, Kelly S.	P2 Vested - Reciprocity
Breedlove, Brianne M.	G4 Non-Vested - Reciprocity
Kim, Amanda M.	G4 Vested - Reciprocity
Mortz, Melissa A.	G4 Non-Vested - Reciprocity

#### **4.5 Member Account Refunds**

The Board ratifies the actions as listed below for the following members regarding refunds:

<b>Member Name</b>	<b>Retirement Plan Type</b>
Harrington, Michaela	G4 Vested
Fortson, Sarah	G7 Non-vested
Erickson, Lindsay	G4 Non-vested
Knox, Stewart	G7 Non-vested
Ugur, Aylin	P5 Non-vested

McCarville, Thomas	S5 Non-vested
Imler, Erin	G7 Non-vested
Taylor, Lonnie	G7 Non-vested
Lopez, Celina	G4 Vested
Korsunsky, Julia	G5 Non-vested
Fong, Suzanna	G4 Non-vested
Chavez, Himer	G4 Vested
Alinea, Dominador	G4 Vested
Downs, Rebecca	G4 Non-vested
Caughlan, Sandra	G7 Non-vested
Pate, Joyevane	G4 Vested
Ortega, Jessica	G7 Non-vested

#### **4.6 Member Account Rollovers**

The Board ratifies the actions as listed below for the following members regarding rollovers:

<b>Member Name</b>	<b>Retirement Plan Type</b>
Medina, Ed	G4 Vested
Visser-Knoth, Maeve	G4 Non-vested
Kroll, Mary	G7 Non-vested
Chandra, Kamni	G4 Non-vested
Hanley, Lucy	G7 Non-vested
Ritchie, Elena	G5 Non-vested
MacIsaac, Julia	G7 Non-vested
Schuller, Bettina	G5 Non-vested
Ogden, Rita	G5 Non-vested
Alexander, Tania	G7 Non-vested
Sandstrom, Matthew	G4 Non-vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

April 29, 2014

Agenda Item 4.7

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Trustees' Requests for Additional Educational Activities

**Staff Recommendation**

Approve attendance of trustees for the additional educational events and additional costs as noted below.

**Background**

SamCERA's Education Policy allows trustees to expend certain levels of system funds for continuing education sponsored by organizations approved in the policy. The policy also states that, "the board may approve participation in additional educational activities..."

**"Government Finance Officers Association (GFOA) 108<sup>th</sup> Annual Conference"**- Trustees Alma Salas and Michal Settles would like to attend the GFOA annual conference, scheduled for May 18-20, 2014 in Minneapolis, Minnesota. GFOA is an approved provider of continuing education as per SamCERA's policy, however, Board approval is needed as costs for this conference will impact each trustee's FY 2013-14 education and training budget as follows:

- Michal Settles: It is estimated that the cost will cause her travel allowance to be exceeded by \$584.
- Alma Salas: It is estimated that the cost will cause her annual travel allowance to be exceeded by \$ 1647.

**"The Future of Corporate Reform (FOCR) – 2014 Public Funds Forum"**. Trustees Sandie Arnott, Michael Settles and Alma Salas have requested to attend this GMI sponsored conference to be held on September 2-4, 2014 in San Diego, CA. This conference provider is not included in the list of approved organizations in SamCERA's travel policy. Board approval is needed for trustees to attend this conference, and also to exceed the education and training budget annual allowance.

Total costs per attendee are estimated to be approximately \$1850 including registration, airfare, meals, ground transportation and 2 nights' lodging. However, only the registration fee of \$780 and the cost of airfare (currently available at \$198 - \$237 per round trip) would be applied to the FY13-14 budget, with other costs being accrued in FY14-15.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

The anticipated \$1000 in conference expenses for FOCR that will be incurred this fiscal year would impact each trustee's FY 2013-14 education and training budget as follows:

- Sandie Arnott: The cost will be within her annual travel allowance.
- Michal Settles: It is estimated that the cost will cause her travel allowance to be exceeded by \$1584. (This includes the GFOA costs.)
- Alma Salas: It is estimated that the cost will cause her annual travel allowance to be exceeded by \$2647. (This includes the GFOA costs.)

It should be noted that if the Board approves a change in the Education Policy to limit reimbursable overnight travel to eight conferences per fiscal year, this September trip would be counted as one of the eight conferences because it takes place next fiscal year.

**Attachment:**

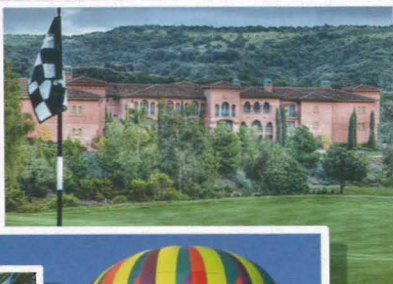
The Future of Corporate Reform, 2014 Public Funds Forum - Conference Agenda.

# SAVE THE DATE

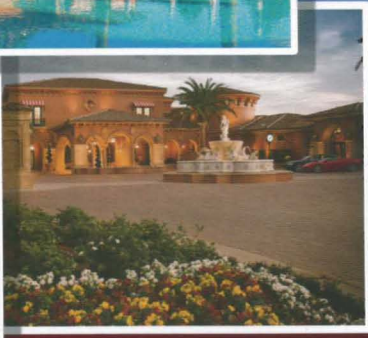
## 2014 PUBLIC FUNDS FORUM

### SEPTEMBER 2-4, 2014

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# 2014

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Partner, Robbins Geller Rudman & Dowd LLP



**Barney Frank**  
U.S. Congressman (1981-2012); Chairman, House Financial Services Committee (2007-2011)



**Captain Richard Phillips**  
Hero of the high seas and Captain of the Maersk Alabama, hijacked by Somali pirates

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GMI Ratings is pleased to announce its sixth annual Public Funds Forum, an invitation-only educational conference designed to train public fund representatives on practices to best fulfill fiduciary duties, protect portfolio assets and create long-term value.

Robbins Geller  
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& COLLIC

[Home](#)  
 [Conference Itinerary](#)  
 [Sessions Agenda](#)  
 [Networking Activities](#)  
 [San Diego](#)  
 [Registration](#)

## CONFERENCE ITINERARY

### Tuesday, September 2, 2014

1:00 p.m. - 4:30 p.m.  
**6:00 p.m. - 6:15 p.m.**  
**6:15 p.m. - 7:15 p.m.**  
 7:15 p.m. - 10:00 p.m.

Check-In and Registration  
**Opening Remarks**  
**Session 1: Keynote Address**  
 A Taste of Tuscany

### Wednesday, September 3, 2014

7:00 a.m. - 8:00 a.m.  
**8:00 a.m. - 8:45 a.m.**  
**8:45 a.m. - 9:45 a.m.**  
 9:45 a.m. - 10:00 a.m.  
**10:00 a.m. - 11:00 a.m.**  
**11:00 a.m. - 12:00 p.m.**  
 12:00 p.m. - 1:00 p.m.  
**1:00 p.m. - 2:00 p.m.**  
**2:00 p.m. - 3:00 p.m.**  
 3:00 p.m. - 3:15 p.m.  
**3:15 p.m. - 4:15 p.m.**  
 6:30 p.m. - 7:30 p.m.  
 7:30 p.m. - 12:00 a.m.

Breakfast  
**Session 2: How to Invest in an Uncertain World**  
**Session 3: Treasurers' Roundtable**  
 Networking Break  
**Session 4: Responsible Investment**  
**Session 5: How to Enhance Portfolio Value Through Securities Litigation**  
 Lunch  
**Session 6: Steering Your Ship Through Rough Waters: Lessons on Leadership from Captain Phillips**  
**Session 7: Creating and Managing a Value-Adding Voting Policy**  
 Networking Break  
**Session 8: Effective Engagement with Portfolio Companies**  
 Cocktail Reception  
 Venetian Masquerade Ball

### Thursday, September 4, 2014

7:00 a.m. - 8:00 a.m.  
**8:00 a.m. - 9:15 a.m.**  
 9:15 a.m. - 9:30 a.m.  
**9:30 a.m. - 11:00 a.m.**  
**11:00 a.m. - 12:00 p.m.**  
 12:30 p.m. - 5:30 p.m.

Breakfast  
**Session 9: Hot Topics in Corporate Reform**  
 Networking Break  
**Session 10: Global Roundup on Capital Markets**  
**Session 11: Remarks by Former Secretary of State Hillary Rodham Clinton**  
 Lunch and Networking Activities:  
 Sunset Hot Air Balloon Adventure, Sea Cave Kayaking or Golf

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

April 29, 2014

Agenda Item 4.8

**TO:** Board of Retirement

**FROM:** Tariq Ali, Chief Technology Officer



**SUBJECT:** Approval of a Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Website Developer for a New SamCERA Website

**Staff Recommendation**

Approve a resolution authorizing the Chief Executive Officer to execute an agreement not to exceed \$100,000 with a website developer for a new SamCERA website.

**Background**

The budget for the current fiscal year includes \$100,000 anticipated to redevelop the SamCERA website. The current website was developed more than 12 years ago. A new website will improve SamCERA's ability to communicate important information to members via the web and to improve SamCERA's ability to keep the site updated. With the upcoming PASS project and the amount of staff time required for that project over the next 30 months, SamCERA will not have the resources to complete this project in house. Staff is seeking a website development firm through a Request For Proposal process.

**Discussion**

Staff is looking for a lightweight, flexible website structure that encompasses a modern design. SamCERA is soliciting proposals from firms that have design and development experience with retirement associations and systems. The implementation of newer web technology will allow staff to collaboratively add and edit content rather than having a single person responsible for the entire site. Key required features for the website include:

1. Collaborative interface, enabling contributions by staff
2. Responsive design; content presented dynamically for several interfaces and devices
3. Easy for our members, stakeholders and the public to navigate and find information
4. Full Section 508 of the Rehabilitation Act of 1973 (electronic and information technology by individuals with disabilities) and World Wide Web Consortium (W3C) Standards compliance.
5. Design that reflects the professional nature of SamCERA

The cost of the services will not exceed \$100,000, which falls within the planned IT budget item for website enhancements in the 2013-2014 fiscal year.

**Attachment:** Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Website Developer for a New SamCERA Website.

RESOLUTION 13-14-\_\_

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AGREEMENT  
WITH A WEBSITE DEVELOPER FOR A NEW SAMCERA WEBSITE**

**WHEREAS**, SamCERA, in accordance with California Government Code Section 31588.2, is authorized to expend funds on the administration of the pension system in order to provide timely and accurate benefits to its members; and

**WHEREAS**, SamCERA has commenced a comprehensive system-wide project to overhaul and update its technology and business processes; and

**WHEREAS**, SamCERA's current website was developed over 12 years ago. A new website is needed to improve SamCERA's ability to communicate important information to members via the web and to improve SamCERA's ability keep the site updated; and

**WHEREAS**, Staff will select a website developer through a Request For Proposal process; and

**WHEREAS**, Staff estimates that the resulting agreement with the website developer will be in an amount not to exceed \$100,000; and

**WHEREAS**, this Board has determined that it is in the best interest of SamCERA to enter into an agreement with a website developer and for the Chief Executive Officer to execute an agreement not to exceed \$100,000; therefore, be it

**RESOLVED**, that the Chief Executive Officer is hereby authorized to execute an agreement with a website developer for a new SamCERA website in an amount not to exceed \$100,000.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

April 29, 2014

Agenda Item 4.9

**TO:** Board of Retirement

**FROM:** Tariq Ali, Chief Technology Officer



**SUBJECT:** Approval of a Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Value Added Reseller to Upgrade SamCERA's Microsoft Dynamics Great Plains Software.

**Staff Recommendation**

Approve a resolution authorizing the Chief Executive Officer to execute an agreement not to exceed \$25,000 with a Value Added Reseller ("VAR") to upgrade SamCERA's Microsoft Dynamics Great Plains software.

**Background:**

The budget for the current fiscal year includes \$25,000 anticipated to upgrade SamCERA's current accounting software. SamCERA's current version of Dynamics GP is a few releases behind the most recent version. In preparation for the new Pension Administration Software System ("PASS"), specifically the integration between PASS and SamCERA's current accounting software, Microsoft Dynamics Great Plains (Dynamics GP), SamCERA will need to engage a VAR to upgrade Dynamics GP to the latest version.

**Discussion:**

SamCERA's current VAR for Dynamics GP is based in Chicago, which creates an inconvenience and an expense when staff requires support and assistance with upgrades. In order to reduce expenses and increase convenience, through a Request For Proposal process, staff is seeking out a local VAR that will be easily accessible going forward.

The implementation of the latest version will allow tighter integration with the PASS solution. Having the latest version installed is also a requirement of the PASS vendor. The planned start date of the PASS project is May 5<sup>th</sup> 2014 and the Dynamics GP upgrade will take about a month. Staff would like to have the upgrade completed before the end of May.

Staff is recommending the Board of Retirement authorize the Chief Executive Officer to enter into a contract for these services for a not-to-exceed amount of \$25,000, which falls within the planned IT budget item for Dynamics GP upgrades in the 2013-2014 fiscal year.

**Attachments:** Resolution Authorizing Chief Executive Officer To Execute an Agreement With a Value Added Reseller to upgrade SamCERA's Microsoft Dynamics Great Plains software.

RESOLUTION 13-14-\_\_

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AN AGREEMENT  
WITH A VALUE ADDED RESELLER TO UPGRADE SAMCERA'S  
MICROSOFT DYNAMICS GREAT PLAINS SOFTWARE**

**WHEREAS**, SamCERA, in accordance with California Government Code Section 31588.2, is authorized to expend funds on the administration of the pension system in order to provide timely and accurate benefits to its members; and

**WHEREAS**, SamCERA has commenced a comprehensive system-wide project to overhaul and update its technology and business processes; and

**WHEREAS**, SamCERA's current accounting software, Microsoft Dynamics Great Plains (Dynamics GP) requires updating in preparation for the new Pension Administration Software System ("PASS"); and

**WHEREAS**, Staff will select a Value Added Reseller ("VAR") to upgrade the Dynamics GP through a Request For Proposal process; and

**WHEREAS**, Staff estimates that the resulting agreement with the VAR for the upgrade services will be in an amount not to exceed \$25,000; and

**WHEREAS**, this Board has determined that it is in the best interest of SamCERA to enter into an agreement with a VAR and for the Chief Executive Officer to execute an agreement not to exceed \$25,000; therefore, be it

**RESOLVED**, that the Chief Executive Officer is hereby authorized to execute an agreement with a Value Added Reseller to upgrade SamCERA's Microsoft Dynamics Great Plains in an amount not to exceed \$25,000.

San Mateo County Employees' Retirement Association  
Board of Retirement

April 29, 2014

Agenda Item 4.10

To: Board of Retirement

From: Chezelle Milan, Retirement Senior Accountant *CBM*  
Michael Coultrip, CIO  
Mabel Wong, Finance Officer *mabel*

Subject: Preliminary 3rd Quarter Budget Report

**DISCUSSION**

SamCERA's budget consists of three components, a professional services budget authorized by Government Code §31596.1, an administrative budget and a technology budget authorized by Government Code §31580.2.

Professional Services Budget - Attachment One provides an overview of the accrued professional services expenditures. Investment management fees are driven by contractual agreements and based on total assets under management. Fees for the actuarial services, investment consulting services and global custodian services are based on services detailed in the contractual agreements. The preliminary annualized aggregate professional services fee as of March 31, 2014, is approximately 48.9 basis points versus the expected fee of 54.07 basis points. Actual to budget expenditures are on track as projected.

SamCERA's Administrative Budget –The adopted administrative budget by category, versus the preliminary fiscal expenditures is shown in the table below.

**Attachment Two** provides a review of the line item administrative appropriations versus the preliminary expenditures. Year-to-date through the third quarter, SamCERA expended 61.6% of the approved appropriations. Under **Salaries & Benefits** SamCERA budgets all positions and benefits. Under **Services & 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**

	Adopted Budget	YTD Preliminary
Salaries & Benefits	\$4,068,503	\$2,526,632
Services & Supplies	\$1,464,537	\$883,406
Capital Assets	\$ 0	\$ 0
Total	\$5,533,040	\$3,410,038



**Attachment Three** provides a review of the line item technology appropriations versus the preliminary expenditures. SamCERA has extended the contract with LRWL Inc. as the consultant to assist in the selection process of its new Pension Administration Software Solution (PASS). After an agreement has been entered into with the selected PASS vendor, the next stage of SamCERA's technology modernization project will be the implementation of the PASS system. The implementation of PASS will be a phased approach over three years.

**SamCERA's Technology Budget**

	Adopted Budget	YTD Preliminary
Property & Equipment	\$78,000	\$3,963
IT Infrastructure	\$2,073,200	\$552,456
Capital Asset	<u>\$1,200,000</u>	<u>\$0</u>
	\$3,351,200	\$556,420

San Mateo County Employees' Retirement Association  
Board of Retirement

April 29, 2014  
Attachment One

Third Quarter Analysis  
03-31-2014

Agenda Item 4.10

PROFESSIONAL SERVICES BUDGET: Government Code §31596.1 states that, *"The expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:*

- (a) *The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.*
- (b) *The compensation of any bank or trust company performing custodial services.*
- (c) *When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.*
- (d) *Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.*
- (e) *The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."*

The board has entered into the following contracts pursuant to §31596.1:

CONTRACTOR	SERVICE	FEE <sup>(1)</sup>	2013-2014 YTD EXPENSE (ACCRUED)	2013-2014 ESTIMATE
Milliman	Actuarial Consulting	0.4 bps	\$69,381	\$105,500
Strategic Investment Solutions	Investment Consulting	1.4 bps	\$300,000	\$400,000
State Street Bank & Trust	Global Custody	0.6 bps	\$129,992	\$200,000
SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES			\$499,373	\$705,500
<i>Estimated Market Value 06-30-2014</i>			\$3.1 Billion	\$2.9 Billion
Average Basis Points <sup>(2)</sup>			2.2 bps	2.4 bps

- (1) The Actuary, Custodian and Investment Consultant are compensated on a flat fee basis. Fees on this schedule are expressed in basis points (or fractions thereof) and utilize total assets while the Investment Manager calculations utilize assets under management.
- (2) The calculation utilizes an average market value of \$2.9 billion

The contractual fee schedule for investment managers appears on the following page.

CONTRACTOR	SERVICE	FEE <sup>(1)</sup>	2013-2014 YTD EXPENSE (ACCRUED)	2013-2014 ESTIMATE
BGI – S&P 500 Index Fund	Domestic Large Cap Equity	2.2 bps	\$95,015	\$140,000
BlackRock EAFE Index Fund	International Equity	6.0 bps	\$20,621	\$50,000
D.E. Shaw Investment Management, LLC	Domestic Large Cap Enhanced	49.6 bps	\$551,165	\$760,000
Barrow, Hanley, Mewhinney & Strauss	Domestic Large Cap Value	46.0 bps	\$520,441	\$700,000
Brown Advisory	Domestic Large Cap Growth	44.3 bps	\$496,272	\$700,000
The Boston Company	Domestic Small Cap Equity	82.1 bps	\$703,135	\$860,000
Chartwell Investment Partners	Domestic Small Cap Equity	75.0 bps	\$660,551	\$780,000
Baillie Gifford	International Equity	46.9 bps	\$657,958	\$880,000
Eaton Vance - Parametric	International Equity	105.0 bps	\$490,195	\$720,000
Mondrian Investment Partners	International Equity	39.9 bps	\$358,542	\$360,000
Pyramis Global Advisors	International Equity	90.0 bps	\$411,371	\$540,000
Pyramis Global Advisors	Domestic Fixed Income	15.6 bps	\$177,934	\$240,000
Western Asset Management	Domestic Fixed Income	27.4 bps	\$238,089	\$340,000
Angelo Gordon (STAR)	Domestic Fixed Income	116.37 bps	\$328,680 <sup>(3)</sup>	\$520,000
Brigade Capital Management	Domestic Fixed Income	74.59 bps	\$359,080	\$480,000
Brown Brothers Harriman	Domestic Fixed Income	15.0 bps	\$87,417	\$120,000
Franklin Templeton	Global Fixed Income	38.1 bps	\$349,966	\$480,000
ABRY ASF II	Private Equity	N/A	\$346,866 <sup>(3)</sup>	\$400,000
ABRY Partners VII	Private Equity	N/A	\$155,158 <sup>(3)</sup>	\$200,000
Cevian Capital	Private Equity	N/A	\$300,000 <sup>(3)</sup>	\$400,000
Emergence Capital	Private Equity	N/A	\$150,000 <sup>(3)</sup>	\$200,000
EnCap	Private Equity	N/A	\$112,500 <sup>(3)</sup>	\$150,000
General Catalyst	Private Equity	N/A	\$119,780 <sup>(3)</sup>	\$250,000
Regiment	Private Equity	N/A	\$225,000 <sup>(3)</sup>	\$300,000
Sycamore	Private Equity	N/A	\$281,250 <sup>(3)</sup>	\$375,000
Sheridan Production Partners	Private Equity	N/A	\$225,037 <sup>(3)</sup>	\$300,000
Warburg Pincus	Private Equity	N/A	\$420,000 <sup>(3)</sup>	\$560,000
Third Rock Ventures III	Private Equity	N/A	\$187,500 <sup>(3)</sup>	\$250,000
AQR Risk Parity	Risk Parity	N/A	\$493,975	\$730,000
AQR Delta Hedge Fund	Hedge Fund	N/A	\$607,745	\$770,000
SSGA- SSARIS Multisource Commodities	Commodities	N/A	\$337,643	\$470,000
INVESCO Realty Advisors	Real Estate Management	39.05 bps	\$513,385	\$800,000
The Clifton Group	Cash Management Overlay	39.40 bps	\$59,641	\$150,000
SUB-TOTAL INVESTMENT MANAGERS			\$11,041,912	\$14,975,000
Average Basis Points <sup>(1)</sup>			-46.8 bps	51.6 bps
SUB-TOTAL NON- INVESTMENT MANAGERS (FROM PREVIOUS PAGE)			\$499,373	\$705,500
Average Basis Points <sup>(2)</sup>			2.2 bps	2.4 bps
TOTAL ESTIMATED CONTRACT FEES			\$11,541,285	\$15,680,500
<i>Estimated Market Value 06-30-2014</i>			\$3.1 Billion	\$2.9 Billion
Average Basis Points <sup>(2)</sup>			48.9 bps	54.07 bps

(1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.

(2) The calculation utilizes an average market value of \$2.9 billion

(3) Management fees for investment managers that provide quarterly statements are expressed as estimates until quarterly statements are received and booked in SamCERA's financials. Statements have not been received as of the date of the mailing.

SamCERA's  
Administrative Budget  
Fiscal Year 2013-2014  
3rd Quarter  
as of March 31, 2014  
PRELIMINARY  
ATTACHMENT II

	<b>Budget Allotment (as Amended)</b>	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Salaries	\$2,607,570	\$1,599,411	61.3%	\$1,008,159	38.7%
Benefits	\$1,460,933	\$927,221	63.5%	\$533,712	36.5%
<b>Salaries &amp; Benefits</b>	<b>\$4,068,503</b>	<b>\$2,526,632</b>	<b>62.1%</b>	<b>\$1,541,871</b>	<b>37.9%</b>
Board Expense	\$10,500	\$5,700	54.3%	\$4,800	45.7%
Insurance	\$80,000	\$59,975	75.0%	\$20,025	25.0%
Medical Evaluation	\$100,000	\$30,015	30.0%	\$69,985	70.0%
Member Education	\$45,000	\$39,518	87.8%	\$5,482	12.2%
Education & Conference	\$97,215	\$85,400	87.8%	\$11,815	12.2%
Transportation and Lodging	\$177,750	\$60,181	33.9%	\$117,569	66.1%
Property & Equipment	\$24,000	\$17,397	72.5%	\$6,603	27.5%
General Office Supplies	\$33,500	\$21,626	64.6%	\$11,874	35.4%
Postage & Printing	\$125,000	\$41,608	33.3%	\$83,392	66.7%
Leased Facilities	\$367,794	\$232,181	63.1%	\$135,613	36.9%
County Services	\$358,278	\$262,952	73.4%	\$95,326	26.6%
Audit Services	\$45,500	\$26,854	59.0%	\$18,646	41.0%
Other Administration	\$0	\$0	0.0%	\$0	0.0%
<b>Services &amp; Supplies</b>	<b>\$1,464,537</b>	<b>\$883,406</b>	<b>60.3%</b>	<b>\$581,131</b>	<b>39.7%</b>
<b>Capital Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>
<b>Depreciation</b>		<b>\$0</b>			
<b>Grand Total</b>	<b>\$5,533,040</b>	<b>\$3,410,038</b>	<b>61.6%</b>	<b>\$2,123,002</b>	<b>38.4%</b>

SamCERA's  
 Information Technology Budget  
 Fiscal Year 2013-2014  
 3rd Quarter  
 as of March 31, 2014  
 PRELIMINARY  
 ATTACHMENT III

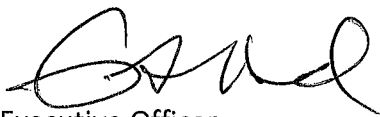
	<b>Budget Allotment (as Amended)</b>	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Property & Equipment	\$78,000	\$3,963	5.1%	\$74,037	94.9%
IT Infrastructure	\$2,073,200	\$552,456	26.6%	\$1,520,744	73.4%
Capital Assets	\$1,200,000	\$0	0.0%	\$1,200,000	100.0%
<b>IT Total</b>	<b>\$3,351,200</b>	<b>\$556,420</b>	<b>\$0</b>	<b>\$2,794,780</b>	<b>83.4%</b>

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

April 29, 2014

Agenda Item 4.11

**TO:** Board of Retirement



**FROM:** Scott Hood, Assistant Executive Officer

**SUBJECT:** Acceptance of a Gift from Daegis Inc. of Used Office Furniture

**Staff Recommendation**

Accept a gift from Daegis Inc. of their used office furniture.

**Summary**

On April 21, 2014, Daegis Inc. gave its used office furniture to SamCERA. Staff contracted for the items to be transported and stored offsite until construction is completed on the newly leased office space. Formal acceptance of this gift by SamCERA will provide tax savings to Daegis.

**Background:**

The Pension Automation Software System project requires additional office space for the project team and SamCERA staff to work. In addition to the space, sufficient furniture and office items are necessary for temporary operations. Since it is not cost effective to procure all new furnishings and equipment for the estimated three-year duration of the project, staff has been looking for other opportunities to obtain temporary equipment and furnishings. Staff became aware that Daegis Inc. had a significant number of desks and chairs available to almost completely outfit the additional space with furniture, including two office desks, 4 cubicles, 2 work stations and 5 desks for the training room. Daegis Inc. agreed to give the items to SamCERA providing that SamCERA move the items from their offices in San Francisco to Redwood City.

Staff arranged for the furniture to be moved and stored until the additional office space is ready for occupancy. Staff will then arrange for the furniture to be delivered and reassembled.

Upon completion of the project and reversion of the additional space to the landlord, staff will dispose of the property that cannot be utilized by SamCERA by turning it over to the County's Surplus Property Manager.

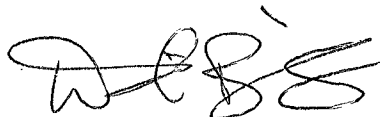
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

April 29, 2014

Agenda Item 4.12

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer



**SUBJECT:** Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff

**Staff Recommendation:**

Approve a resolution amending the Board's "Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff" to clarify the existing procedure for reimbursement for areas not subject to the standard federal CONUS (Continental United States) rates.

**Background:**

In April of 2013, the Board combined its Travel Policy and an Expense Reimbursement Policy and created a "Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff" ("Policy").

**Discussion:**

The Policy provides that the maximum reimbursement for the actual cost of meals will be limited to CONUS current rate as set forth in the Code of Federal Regulations "except that for CONUS designated high cost of living metropolitan areas the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate." A complete listing of CONUS rates can be found at [www.gsa.gov](http://www.gsa.gov).

CONUS sets a standard rate, lists the cities for which the standard rate does not apply and lists the applicable rate for those cities. Past as well as current procedure limits the maximum reimbursement to double the rate listed for cities that do not have a standard CONUS rate. In order to clarify this practice, Staff is recommending that the policy be reworded as follows:

*"The maximum reimbursement for the actual cost of meals will be limited to the Continental United States (CONUS) current rate except that for those areas that do not have a standard rate and have a separate CONUS rate, the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate for those areas."*

This rewording will have no effect on the reimbursement rates.

**Attachments:** Resolution and proposed amended "Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff."

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**RESOLUTION 13-14-\_\_**

**RESOLUTION AMENDING THE BOARD OF RETIREMENT'S  
"POLICY FOR REIMBURSEMENT OF TRAVEL AND OTHER OFFICIAL  
EXPENSES FOR TRUSTEES AND STAFF"**

**WHEREAS**, Government Code §31520 vests the management of *SamCERA* in the Board; and

**WHEREAS**, the Board acknowledges the vital importance of making informed judgments on all matters which come before it and has adopted a *Code of Fiduciary Conduct* and an *Educational Policy* to guide its actions; and

**WHEREAS**, the Board wishes to encourage its trustees and staff to become as expert as is cost-effective in the matters of pension fund investments, service and disability retirements and plan administration; and

**WHEREAS**, the Board recognizes that reimbursements should be only for those necessary, reasonable and actual expenses that have been incurred; and

**WHEREAS**, the Board desires to amend its "Policy For Reimbursement of Travel and Other Official Expenses For Trustees and Staff" to clarify the existing procedure for reimbursement for areas not subject to the standard federal CONUS (Continental United States) rates;

Now, therefore, be it

**RESOLVED**, that the Board hereby amends its *Policy For Reimbursement of Travel and Other Official Expenses For Trustees and Staff* as set forth in the attachment.



**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**POLICY FOR REIMBURSEMENT OF TRAVEL AND OTHER  
OFFICIAL EXPENSES FOR TRUSTEES AND STAFF**

**SECTION 1. TRAVEL RELATED EXPENSES.**

Whenever any Trustee of the Board of Retirement (“Trustee”) or any SamCERA employee in the service of SamCERA is required to travel, such person shall be allowed, in addition to any salary or compensation, certain actual and necessary travel expenses, as set forth below. Occurrences that would require a Trustee or a SamCERA employee to travel include, but are not limited to, official business of the retirement association at conferences, education, due diligence, appearances before local, state, and federal administrative agencies, legislative bodies, and judicial proceedings or when otherwise serving in their official capacity or representing SamCERA. Claims for reimbursement shall be made in accordance with Section 3 “Claims for Expenses.”

**(a) Transportation.** Actual cost incurred for transportation by any carrier services shall be reimbursed. Reimbursement for travel by any privately owned automobile shall be in accordance with the provisions of paragraph (c), below, except that it shall not be more than the cost of common carrier services where the one-way distance required to be traveled is 200 miles or more, and in such event the reimbursement for such travel shall not exceed the cost of air travel regardless of the mode of transportation used. The cost of air travel shall be based on coach fares, unless air coach service is not available, or unless otherwise authorized by the Chief Executive Officer. Government and group rates offered by a provider of transportation services shall be used when available.

**(b) Meals, Lodging, and Incidentals.** For official business travel with an overnight stay, there shall be direct payment by SamCERA or reimbursement for the actual costs that are incurred only outside the local commuting area for meals, lodging, and incidentals, including baggage transfer, tips, and other actual and necessary incidental expenses. Direct payment for meals, either without an overnight stay and/or within the local commuting area, and lodging within the local commuting area shall be made if such costs are included in the set conference or tuition fee. Exceptions based upon unique circumstances can be made for reimbursement for meals, either without an overnight stay and/or within the local commuting area, lodging and incidentals incurred within the local commuting area, if authorized by the Board Chair for Trustees and for the Chief Executive Officer, the Board Vice Chair for the Board Chair, and the Chief Executive Officer for employees. The local commuting area is defined as within the five counties of Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara. The maximum reimbursement for the actual cost of meals will be limited to the Continental United States (CONUS) current rate ~~as set forth in the Code of Federal Regulations~~ except that for ~~those areas that do not have a standard rate and have a separate CONUS rate, CONUS designated high cost of living metropolitan areas~~ the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate for those areas. Government and group rates offered by a provider of lodging services shall be used when available. If such rate is not available,

the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate for that location. If the lodging is in connection with a conference or organized educational activity, lodging reimbursement for lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available at the time of booking. If such rate is not available, the maximum reimbursement rate shall be limited to double the amount of the applicable CONUS rate or the group rate, whichever is higher. A complete listing of CONUS rates can be found at [www.gsa.gov](http://www.gsa.gov). If it is necessary to secure lodging in excess of double the CONUS rates, that expenditure must be approved in advance by the Board Chair for Trustees and for the Chief Executive Officer, the Board Vice Chair for the Board Chair, and the Chief Executive Officer for employees.

**(c) Privately Owned Automobile.** Actual costs of parking and mileage actually traveled shall be reimbursed. Mileage shall be reimbursed at a rate determined by the County Manager for San Mateo County, provided that such amount is at least that amount established by the Internal Revenue Service as the allowable business deduction rate for such travel.

**(d) Other Transportation.** Travel expenses may be paid directly by SamCERA to the supplier of the transportation where the mode of transportation is other than by a privately owned motor vehicle. In other instances travel shall be claimed by the individual employee.

**(e) Automobile Insurance.** No Trustee or employee shall engage in any travel in connection with the performance of official business of SamCERA in a privately owned conveyance, either their own, or that belonging to another, unless the same is insured in such manner as to comply with County of San Mateo Administrative Memorandum.

**(f) Course or Meeting Registration Fees.** Required registration fees for educational courses, conferences, or other meetings may be paid directly to the organization or association conducting such course, conference, or other meeting and the officer or employee shall not be required to advance the funds therefore.

**(g) Non-Reimbursable Travel Expenses.** Not all travel expenses incurred are reimbursable. Examples of such non-reimbursable expenses include, but are not limited to: Trustee educational or conference expenses which were not approved by the Board in accordance with the Education Policy, non SamCERA related expenses, transportation, lodging, and meal expenses which exceed or are outside of the limits set forth in this policy, alcoholic beverages, personal entertainment, additional costs for additional person(s) who are not either SamCERA Trustees or employees, extra baggage charges for personal items, traffic citations and parking tickets.

## **SECTION 2. OTHER OFFICIAL DUTY RELATED EXPENSES.**

**(a) Expenses Incurred by Trustees:** Trustees are entitled to reimbursement of the actual cost of expenses, including meals, that are necessary, appropriate, and reasonably incurred in the performance of official duties within or outside of the local commuting area, unless otherwise specified by this policy.

**(b) Expenses Incurred by Staff:** All staff expenditures must be pre-approved by the supervising manager or the Chief Executive Officer. The supervising manager will ensure that the proper procedures are being followed, funds are available, expenses are reasonable and appropriate, and the cost is not excessive. Employees are encouraged to use the corporate credit card for necessary online purchases. Employees must submit original detailed receipts and should note the purpose or recipient of the expense items on the Claim Form as applicable.

**(c) Staff Expenses under \$50.** Employees may request immediate reimbursement of approved expenditures under \$50 from the Petty Cash Fund upon submission of a completed and approved Petty Cash Voucher accompanied by the original itemized invoice. Reimbursement of petty cash expenditures would include, but is not limited to: refreshments for meetings, kitchen supplies, postage stamps, and certified mailings. The Petty Cash Custodian will obtain approval from the Chief Executive Officer prior to reimbursing the employee.

**(d) Tuition Reimbursement for Continuing Education:** Permanent SamCERA employees are eligible to participate in the County's Tuition Reimbursement Program to enhance work performance and career mobility. College level courses may be taken at accredited educational institutions. Requests must be submitted and approved by the supervising manager at least two weeks before the beginning date of the course. The County Human Resources Department will have the final approval for this program.

### **SECTION 3. CLAIMS FOR EXPENSES.**

**(a) Claim Form.** A claim for expenses shall be submitted within sixty (60) days after incurring the expense. Before any expenses are allowed or paid, the claimant shall file a claim in the manner provided by law for claims to be filed against SamCERA, duly certified as correct by the claimant and approved by SamCERA's Chief Executive Officer. The Board Chair will approve the Chief Executive Officer's claims. When submitting a joint receipt for multiple trustees and employees, the names of the other participants must be listed on the claim and receipt.

**(b) Itemized receipts:** The claimant shall attach to the claim all itemized receipts showing the moneys expended by the claimant. If a receipt includes non-SamCERA expenses, e.g. personal expenses, the claim shall reflect only the portion of the expense that pertains to SamCERA. Receipts are required for all expenditures \$25 and over. If a receipt is lost, the claimant must detail the expenditure to the best of their ability and attest to its accuracy by affixing their signature to the reimbursement expense.

**(b) Expenses Must Be Actually Incurred.** SamCERA Trustees or employees shall not submit a claim to SamCERA except for those expenses actually incurred in connection with the performance of official business of the retirement association.

**(c) Approval By the Board.** All reimbursable expenses for Trustees that do not fall within the above provisions may be approved by the Board of Retirement at a public meeting before the expense is incurred.

**SECTION 5. ADVANCE PAYMENTS FOR EXPENSES.**

Whenever it appears to be for the best interests of SamCERA that any Trustee, or employee of SamCERA travel outside of the County of San Mateo on official business and where prior authorization for such travel has been given by the Board of Retirement, and it appears that it is necessary that such trustee or employee be allowed a sum of money not in excess of two thousand five hundred dollars (\$2,500) for such travel expenses in advance, a claim for such advance showing the emergency requiring such advance shall be made out in the regular form and approved by the Chief Executive Officer and thereafter SamCERA shall draw their warrant in favor of such Trustee or employee. The trustee or employee receiving such advance shall file with SamCERA after their return from such trip an itemized account, together with proper vouchers of their expenses and shall pay to SamCERA any balance remaining unexpended for SamCERA business purposes. SamCERA shall attach such statement to the original claim for such advance and shall immediately make the proper adjustment of the account from which the advance was drawn.

**SECTION 6. REPORTING BY TRUSTEES OF THE BOARD OF RETIREMENT**

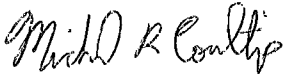
Trustees shall provide a brief report, either orally or in writing, on meetings attended at the expense of SamCERA at the next attended regular meeting of the Board.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

April 29, 2014

Agenda Item 6.1

**TO:** Board of Retirement



**FROM:** Michael Coultrip, Chief Investment Officer

**SUBJECT:** Preliminary Monthly Portfolio Performance Report for the Period Ending March 31, 2014

**Staff Recommendation**

Review the preliminary performance report dated March 31, 2014.

**Background**

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. As discussed previously, preliminary performance estimates are now included for Angelo Gordon's STAR, AQR's risk parity, and AQR's hedge fund portfolios. The quarterly performance metrics are not yet available for our private equity and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by SIS.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns (pages 2-3) and net manager returns (pages 4-8) also shown.

**Discussion**

The fund's net preliminary return for March was +0.36%, while the preliminary trailing twelve month return was +12.9% net (+13.3% gross). The twelve-month net return is lower than SamCERA's Total Plan Policy Benchmark return of 13.4% but above the Actuarial Assumed Earnings Rate of 7.50%. As a reminder, SamCERA should expect performance to vary substantially from that of the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

Global markets were generally mixed in March. In the U.S., value equities significantly outperformed growth equities (with most growth indices down on the month) across the capitalization spectrum, while large-cap equities outperformed small-cap equities. Economic data was a bit soft but still pointed to moderate improvement. The final estimate of 4<sup>th</sup> quarter GDP growth rose by a +2.6% annual rate, generally in line with market expectations.

International equity indices were mixed on the month, with developed markets (as measured by MSCI EAFE) down -0.6%, while emerging markets were up +3.1%.

The general fixed income market was lower by -0.20% as the yield curve flattened in March as shorter-term rates rose more than longer-term rates. Comments from Federal Reserve Chair Janet

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

Yellen pointing to earlier than expected interest rate increases contributed to the rise in short-end rates. Interest rates (as measured by 10-year Treasuries) increased by 7 basis points (while the 5-year increased by 22 basis points). High yield bonds were up +0.2%, while emerging market bonds were up +1.3%.

**Attachments**

SIS Market Update

State Street Performance Report

## U.S. EQUITY

For the month of March, Value outperform Growth and Large Caps outperform Small Caps. The Russell 1000 Growth Index was down -1.0% while the Russell 1000 Value Index up by +2.4% for the month. The Russell 2000 Growth Index was down -2.5% and the Russell 2000 Value was up by +1.2%. The S&P 500 Index ended the month higher by +0.8%.

The S&P 500 Index has a trailing P/E ratio of 17.7, a forward 12-month estimate P/E ratio of 15.6 and dividend yield of 2.0%.

Corporate merger highlights for the month included:

Caesars Entertainment, the largest owners of casinos in the U.S., will sell four properties to an affiliate for \$2.2 billion; Numericable and its shareholder, Altice, are preparing an offer valued at about \$20 billion to merge with Vivendi's French telecom unit, SFR; Albertson's parent, Cerberus, will buy grocery chain Safeway in a package that may approach \$9 billion; Minerals Technologies will buy Amcol International for \$1.7 billion; Hochtief, Germany's largest builder, offered \$1.05 billion to raise its stake in Leighton Holdings to 74%; United Rentals acquired privately held National Pump, the second-largest specialty pump rental company in North America, for \$780 million; Men's Wearhouse will buy smaller rival Jos. A. Bank for \$1.8 billion; Blackstone Group has invested \$8 billion since April 2012 to buy 43,000 homes in 14 cities, making it the largest single-family home landlord; RWE, Germany's second largest utility, will sell its oil and gas production arm to investors led by Russian tycoon, Mikhail Fridman, for \$7.1 billion; Vodafone will buy Spain's largest cable operator, Ono, for \$10 billion; J.P. Morgan Chase will sell its physical commodities business to Mercuria Energy for \$3.5 billion; Horizon Pharma will buy specialty pharmaceutical company, Vidara Therapeutics International, for about \$660 million; Volkswagen declined to raise its \$9.33 billion bid for Scania; Media General, a broadcaster in Richmond, VA. will pay \$1.6 billion to buy competitor Lin Media; Canada Pension Plan Investment Board will acquire U.S. life insurer, Wilton Re Holdings, for \$1.8 billion; Singapore state investor Temasek Holdings will buy almost a quarter of health and beauty retailer, A.S. Watson, for about \$5.7 billion; A consortium of private equity firms will buy Nordic card payment company, Nets, for \$3.1 billion; Walt Disney will buy privately held Maker Studios for \$500 million; Facebook will buy

Oculus VR, a maker of virtual-reality glasses for gaming, for \$2 billion; Johnson & Johnson will sell its Ortho-Clinical Group for \$4 billion; and, Encana Corp. will sell some natural gas assets in Wyoming's Jonah field to a TPG Capital affiliate for \$1.8 billion.

## FIXED INCOME

The U.S. economy grew at a 2.6% annual rate in the fourth quarter, slightly more than previously estimated.

The yield on the bellwether 10-year Treasury note rose to 2.77% at the close of March from its February close at 2.66%. At month-end, the 30-year bond yield was 3.56% with the 3-month T-bill at 0.05%. The Barclays Capital U.S. Aggregate Index was down -0.17% in March. EM Debt was the strongest sector within fixed income as the JPM EMBI Global rose +1.26% for March.

New York Fed President William Dudley stated that it is reasonable to expect an increase in interest rates around mid-2015. A survey of economists estimates that the Federal Reserve will start raising U.S. interest rates in the third quarter of next year.

On the economic front, the following key data was released in March:

## THE GOOD

\*Markit reported that the final reading of its U.S. Manufacturing Purchasing Managers Index rose to 57.1 in February, up from January's 53.7.

\*The Institute for Supply Management reported its index of national factory activity increased to 53.2 in February after slumping in January to 51.3.

\*Americans' household net worth increased nearly \$3 trillion during last year's fourth quarter to a record \$80.7 trillion.

\*Retail sales rose a seasonally adjusted +0.3% in February, according to the Commerce Dept.

\*The Commerce Dept. reported that the producer price index, which measures price changes before they reach the consumer, dropped -0.1% in February, the latest sign that inflation is tame.

\*The New York Fed's index of manufacturing conditions index increased to 5.61 in March from a reading of 4.48 in February.

\*The Federal Reserve reported that factory production surged +0.8% in February.

\*The current account gap, which measures the flows of goods, services and investments into and out of the country, narrowed to \$81.1 billion, the smallest since the third quarter in 1999.

\*The consumer price index nudged up 0.1% in February.

\*The Conference Board's index of leading indicators increased 0.5% in February, the largest amount in three months.

\*The Commerce Dept. reported that orders for durable goods increased by 2.2% in February, ending two straight months of declines.

The Conference Board's Consumer Confidence Index rose to 82.3 in March, up from 78.3 in February, and the highest level since January 2008.

## THE NOT SO GOOD

\*Global shipments of personal computers fell -9.8% to 315.1 million units last year with future declines expected.

\*U.S. productivity grew at an even slower annual rate than previously thought in the final three months of last year with a new estimate of 1.8%, down from the 3.2% previously reported.

\*The U.S. trade deficit rose slightly in January to \$39.1 billion as a rise in imports of oil and other foreign goods offset a solid increase in exports.

\*Sales at wholesalers dropped -1.9% in January, the biggest decline since March 2009.

\*A survey by the Employee Benefits Research Institute found that 36% of current workers say they have saved \$1,000 or less for retirement.

\*The Commerce Dept. reported that housing starts slipped -0.2% in February to a seasonally adjusted annual rate of 907,000 units and was the third straight month of declines.

\*Sales of existing U.S. homes slipped in February to their lowest level since July 2012 due to severe weather, rising prices, and a tight supply.

\*Americans barely increased spending in February following a weak January, strong evidence that the severe winter will hold back the economy in the first quarter—spending rose 0.3% in February.

## NON-U.S. MARKETS

UK GDP rose 0.7% in the fourth quarter, unrevised from previous estimate. This was the third consecutive solid gain, lifting GDP 2.7% from a year earlier.

The purchasing managers' indexes in the Eurozone suggest that manufacturing condition deteriorated slightly for the second straight month in March. The headline index slipped -0.2 point to 53.0, which followed a -0.8 point decline in February.

Japanese GDP growth was downgraded for the second half of 2013. Headline growth for both Q3 and Q4 were trimmed by -0.1 point to anemic +0.2% growth.

China's manufacturing barometers fell again in March suggesting broader growth is continuing to slow.

Russia's central bank raised interest rates in March as the ruble dropped to its lowest level ever against the US dollar.

Non-U.S. Developed equities were relatively unchanged in March. The MSCI ACWI Ex-U.S. was up +0.3% (US dollars) for the month. International Developed stocks (EAFE) were up down -0.6% while Emerging Markets gained +3.1% for the month.

## CONCLUSION

Geopolitical tensions (Ukraine) and doubts over U.S. monetary policy loom over the financial markets. Global markets are struggling in recent weeks. China is another concern due to disappointing economic figures released recently suggesting a slowdown in growth. That said, global equity markets ended March relatively flat following a very strong five-year period. One would expect to see a bit more volatility for the rest of 2014.



## Monthly Market Update

### US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Mar-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	0.53	1.97	1.97	22.61	18.52	14.61	21.93	6.60	7.86
Russell TOP 200 Index	1.05	1.39	1.39	21.92	17.48	14.89	20.25	6.12	6.92
Russell TOP 200 Growth Index	-0.61	0.68	0.68	22.80	15.73	15.16	20.61	8.32	7.35
Russell TOP 200 Value Index	2.75	2.11	2.11	21.07	19.26	14.63	19.89	3.93	6.47
S&P 500 Index	0.84	1.81	1.81	21.86	17.84	14.66	21.16	6.31	7.42
Russell 1000 Index	0.64	2.05	2.05	22.41	18.35	14.75	21.73	6.57	7.80
Russell 1000 Growth Index	-1.01	1.12	1.12	23.22	16.47	14.62	21.68	8.23	7.86
Russell 1000 Value Index	2.39	3.02	3.02	21.57	20.16	14.80	21.75	4.78	7.58
Russell Mid-Cap Index	-0.27	3.53	3.53	23.51	20.37	14.39	25.55	7.71	10.05
Russell Mid-Cap Growth Index	-1.85	2.04	2.04	24.22	18.35	13.52	24.73	8.24	9.47
Russell Mid-Cap Value Index	1.54	5.22	5.22	22.95	22.22	15.17	26.35	6.85	10.24
Russell 2000 Index	-0.68	1.12	1.12	24.90	20.52	13.18	24.31	7.08	8.53
Russell 2000 Value Index	1.24	1.78	1.78	22.65	20.35	12.74	23.33	5.44	8.07
Russell 2000 Growth Index	-2.46	0.48	0.48	27.19	20.69	13.61	25.24	8.63	8.87
DJ US REIT Index	0.88	10.35	10.35	4.35	8.68	10.27	28.92	1.85	8.05
DJ-UBS US Commodity Index TR	0.41	6.99	6.99	-2.10	-2.56	-7.37	4.24	-2.72	0.43
DJ-UBS US Gold Index TR	-2.87	6.72	6.72	-19.85	-12.86	-4.32	6.08	8.89	10.68

### Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Mar-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.32	0.61	0.61	12.80	10.82	4.63	16.04	2.16	7.59
MSCI AC World Index	0.50	1.21	1.21	17.17	14.14	9.14	18.43	4.10	7.53
MSCI EAFE Index	-0.57	0.77	0.77	18.06	14.89	7.72	16.56	1.78	7.01
MSCI Emerging Markets index	3.09	-0.37	-0.37	-1.07	0.60	-2.54	14.83	3.70	10.45
ML Global Government Bond Ex. U.S. Index	-0.51	2.76	2.76	-1.78	-3.16	-0.37	3.55	4.90	3.85
Euro	-0.21	0.02	0.02	7.33	1.73	-0.97	0.75	0.50	1.15
Japanese Yen	-0.89	2.06	2.06	-8.71	-10.61	-6.98	-0.83	1.97	0.10
UK Pound Sterling	-0.52	0.66	0.66	9.79	2.15	1.32	3.07	-2.30	-0.97

### US Fixed Income Indices Trailing Performance

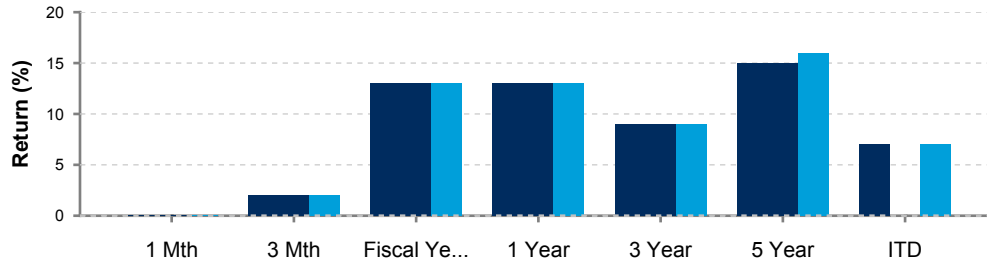
Annualized Performance to Date: Ending Mar-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.00	0.01	0.01	0.07	0.09	0.08	0.12	0.91	1.65
BarCap Aggregate Bond Index	-0.17	1.84	1.84	-0.10	1.82	3.75	4.80	4.96	4.46
ML U.S. Corp/Govt Master Index	-0.13	2.11	2.11	-0.47	2.11	4.17	5.15	5.02	4.41
ML U.S. Corporate Master Index	0.07	2.97	2.97	1.42	4.56	6.04	9.89	6.13	5.28
BarCap Mortgage Backed Securities Index	-0.32	1.58	1.58	0.20	1.08	2.76	3.57	4.80	4.58
ML U.S. High Yield Master Index	0.22	2.99	2.99	7.51	10.24	8.71	17.95	8.45	8.46
JPM EMBI Global	1.26	3.47	3.47	-1.06	4.53	7.15	11.54	7.42	8.31

# San Mateo County Total Fund Characteristics

March 31, 2014



## Total Fund Performance

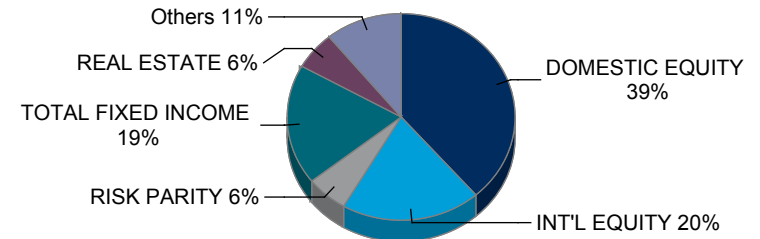


■ TOTAL FUND - Net Mgr 
 ■ TOTAL FUND - Total Invested  
■ SAMCERA TOTAL PLAN POLICY BENCHMARK

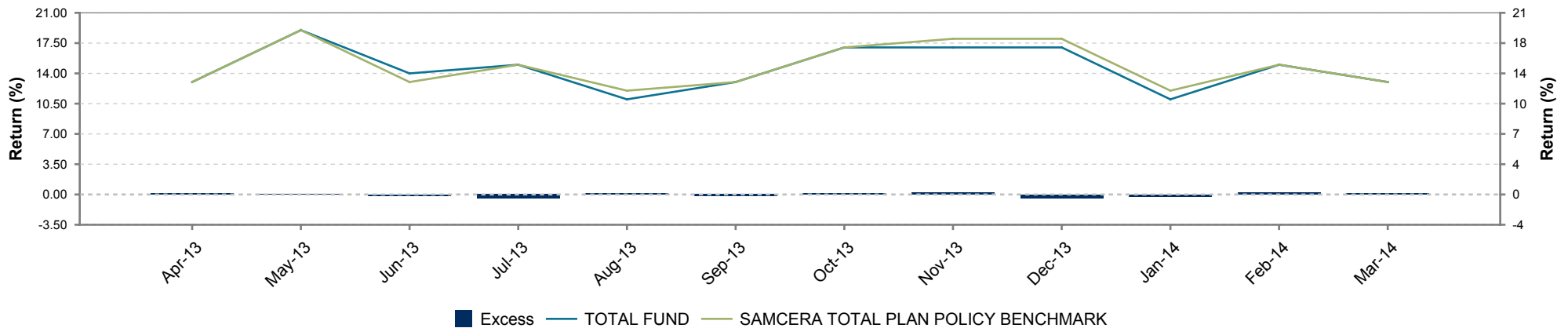
	1-Mth	3-Mth	YTD	Fiscal YTD	1-Yr	3-Yr	5-Yr	10-Yr	ITD
TOTAL FUND - Gross	0.36	1.93	1.93	13.20	13.25	9.29	15.03	6.43	6.97
TOTAL FUND - Net Mgr	0.36	1.92	1.92	12.96	12.91	8.90	14.69	6.26	6.87
SAMCERA TOTAL PLAN POLICY BENCHMARK	0.26	1.85	1.85	13.50	13.37	9.45	15.51	7.10	7.21
Excess	0.10	0.07	0.07	-0.54	-0.47	-0.55	-0.82	-0.84	-0.34

## Asset Allocation

	Ending Market Value (\$)	Allocation (%)
DOMESTIC EQUITY	1,211,154,747	38.5
INTERNATIONAL EQUITY	629,836,518	20.0
PRIVATE EQUITY	107,043,610	3.4
RISK PARITY	181,918,916	5.8
HEDGE FUND	115,941,120	3.7
COMMODITIES	87,922,223	2.8
FIXED INCOME	591,701,220	18.8
REAL ESTATE	175,269,752	5.6
CASH	26,745,391	0.8
CLIFTON GROUP - CASH OVERLAY	20,182,778	0.6
<b>TOTAL FUND</b>	<b>3,147,716,276</b>	<b>100.0</b>

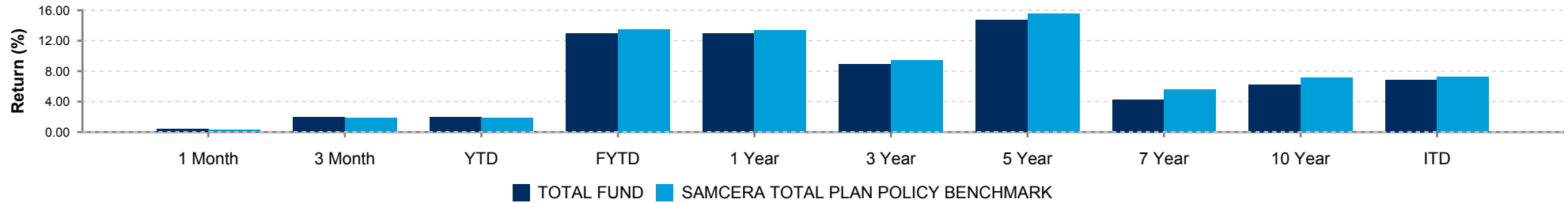


## Cumulative Returns



March 31, 2014

Return Comparison



Composite Returns (Net)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
Total Fund	3,147,716,276	0.36	1.92	1.92	12.96	12.91	8.90	14.69	4.27	6.26	6.87
SAMCERA TOTAL PLAN POLICY BENCHMARK		0.26	1.85	1.85	13.50	13.37	9.45	15.51	5.59	7.10	7.21
Excess		0.10	0.07	0.07	-0.54	-0.47	-0.55	-0.82	-1.31	-0.84	-0.34
Total Equity	1,840,991,266	0.53	1.76	1.76	18.35	20.15	10.77	19.11	3.72	6.56	7.85
SAMCERA TOTAL EQUITY BENCHMARK		0.33	1.42	1.42	18.52	19.52	11.08	20.18	5.23	7.62	8.27
Excess		0.20	0.33	0.33	-0.17	0.63	-0.31	-1.07	-1.51	-1.05	-0.42
Total Fixed Income	591,701,220	0.40	1.95	1.95	4.31	1.07	5.78	9.48	5.76	5.17	5.96
SAMCERA TOTAL FIXED INCOME BENCHMARK		-0.10	2.28	2.28	3.11	-0.40	4.06	5.13	5.20	4.63	5.48
Excess		0.50	-0.33	-0.33	1.19	1.47	1.71	4.35	0.56	0.54	0.48
Total Risk Parity	181,918,916	0.68	5.61	5.61	9.72	-1.36	7.03				7.05
RISK PARITY BENCHMARK		0.25	1.97	1.97	12.38	13.14	10.40				10.20
Excess		0.43	3.64	3.64	-2.66	-14.50	-3.37				-3.15
Hedge Funds	115,941,120	0.90	-0.69	-0.69	2.57	5.42					2.76
LIBOR + 4%		0.34	1.02	1.02	3.12	4.18					4.22
Excess		0.56	-1.71	-1.71	-0.54	1.24					-1.46
Private Equity	107,043,610	0.28	2.10	2.10	14.63	14.71	1.96				-48.00

March 31, 2014

**Composite Returns (Net)**

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
PRIVATE EQUITY BENCHMARK		0.78	2.72	2.72	22.03	26.23	18.01				20.70
Excess		-0.49	-0.63	-0.63	-7.40	-11.52	-16.05				-68.70
Commodities	87,922,223	0.08	2.98	2.98	4.88	-2.23					-1.54
DJ-UBS COMMODITY		0.41	6.99	6.99	8.12	-2.10					-6.89
Excess		-0.33	-4.01	-4.01	-3.24	-0.13					5.35
Total Real Estate	175,269,752	0.00	0.00	0.00	5.49	10.35	11.47	4.48	2.14	7.07	7.73
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	0.00	0.00	5.81	8.85	11.38	5.76	2.77	6.96	7.89
Excess		0.00	0.00	0.00	-0.32	1.50	0.08	-1.28	-0.63	0.11	-0.16
Total Cash	26,745,391	-0.03	0.28	0.28	0.49	0.60	0.64	0.82	0.83	1.64	2.34
91 DAY TREASURY BILL		0.00	0.01	0.01	0.04	0.07	0.08	0.12	0.91	1.67	2.23
Excess		-0.03	0.27	0.27	0.44	0.53	0.55	0.71	-0.08	-0.03	0.11

# San Mateo County Manager Return Summary

March 31, 2014



<b>Manager Returns (Net)</b>											
	<b>\$ EMV</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>FYTD</b>	<b>Cal YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>7 Year</b>	<b>10 Year</b>	<b>ITD</b>
TOTAL EQUITY	1,840,991,266	0.53	1.76	18.35	1.76	20.15	10.77	19.11	3.72	6.56	7.85
SAMCERA TOTAL EQUITY BENCHMARK		0.33	1.42	18.52	1.42	19.52	11.08	20.18	5.23	7.62	8.27
Excess		0.20	0.33	-0.17	0.33	0.63	-0.31	-1.07	-1.51	-1.05	-0.42
TOTAL DOMESTIC EQUITY	1,211,154,747	0.40	1.55	19.20	1.55	22.98	13.35	21.52	5.13	6.88	8.36
SAMCERA DOMESTIC EQUITY BENCHMARK		0.37	1.86	19.65	1.86	22.93	14.46	22.29	6.72	8.00	8.72
Excess		0.02	-0.31	-0.45	-0.31	0.05	-1.11	-0.77	-1.59	-1.11	-0.36
LARGE CAP COMPOSITE	964,380,249	0.48	1.41	18.24	1.41	22.20	13.35	20.41	5.10	6.95	8.87
Russell 1000		0.64	2.05	19.25	2.05	22.41	14.75	21.73	6.57	7.80	9.47
Excess		-0.16	-0.63	-1.01	-0.63	-0.21	-1.40	-1.32	-1.46	-0.85	-0.59
DE SHAW INVESTMENT MGT, LLC	142,162,392	-0.29	0.85	17.28	0.85	21.08	15.59				17.56
Russell 1000		0.64	2.05	19.25	2.05	22.41	14.75				17.61
Excess		-0.93	-1.20	-1.97	-1.20	-1.33	0.84				-0.05
BARROW HANLEY	143,933,469	1.28	1.82	19.24	1.82	26.25	15.04				17.77
Russell 1000 Value		2.39	3.02	17.80	3.02	21.57	14.80				17.46
Excess		-1.11	-1.20	1.44	-1.20	4.68	0.24				0.30
BLACKROCK S&P 500	536,998,170	0.84	1.81	18.42	1.81	21.87					23.81
S&P 500		0.84	1.81	18.41	1.81	21.86					23.80
Excess		0.00	0.00	0.01	0.00	0.02					0.01
BROWN ADVISORY LARGE GROWTH	141,286,218	-0.93	0.09	17.27	0.09						19.53
Russell 1000 Growth		-1.01	1.12	20.73	1.12						20.66
Excess		0.08	-1.03	-3.46	-1.03						-1.13
SMALL CAP COMPOSITE	246,774,499	0.09	2.10	23.50	2.10	26.46	14.33	26.79	5.29	6.66	7.06
Russell 2000		-0.68	1.12	21.16	1.12	24.90	13.18	24.31	7.08	8.53	8.00
Excess		0.77	0.98	2.34	0.98	1.57	1.14	2.48	-1.79	-1.87	-0.94

# San Mateo County Manager Return Summary

March 31, 2014



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
BOSTON COMPANY ASSET MGT, LLC	121,850,541	1.15	2.12	21.94	2.12	24.92	14.89				18.68
Russell 2000 Value		1.24	1.78	19.69	1.78	22.65	12.74				18.03
Excess		-0.09	0.35	2.25	0.35	2.27	2.15				0.65
CHARTWELL INVESTMENT MGMT	124,923,958	-0.92	2.07	25.07	2.07	28.00	15.37	27.10	8.98		9.59
Russell 2000 Growth		-2.46	0.48	22.61	0.48	27.19	13.61	25.24	8.63		9.01
Excess		1.54	1.58	2.45	1.58	0.81	1.75	1.86	0.34		0.57
TOTAL INTERNATIONAL EQUITY	629,836,518	0.79	2.14	16.24	2.14	13.79	5.01	13.58	0.42	6.29	6.03
MSCI AC WORLD INDEX ex USA		0.32	0.61	16.17	0.61	12.80	4.63	16.04	2.16	7.59	6.05
Excess		0.47	1.53	0.07	1.53	0.98	0.38	-2.45	-1.74	-1.30	-0.02
BAILLIE GIFFORD OVERSEAS LIMITED	185,381,288	0.52	2.53	18.37	2.53	16.51					15.86
MSCI ACWI ex US GROWTH (GROSS)		0.13	0.39	14.44	0.39	11.22					11.12
Excess		0.39	2.14	3.93	2.14	5.29					4.74
EATON VANCE MANAGEMENT	59,983,384	2.93	1.15	9.75	1.15	2.64					3.19
MSCI Em Markets (USD) GDR		3.09	-0.37	7.48	-0.37	-1.07					0.61
Excess		-0.16	1.51	2.27	1.51	3.71					2.58
MONDRIAN INVESTMENT PARTNERS	187,501,225	1.55	3.13	16.48	3.13	15.23	6.81	14.78	1.95		6.85
MSCI ACWI EX US VALUE (GROSS)		0.51	0.83	17.92	0.83	14.40	4.61	16.46	1.78		6.90
Excess		1.03	2.30	-1.43	2.30	0.83	2.20	-1.69	0.17		-0.06
PYRAMIS	64,124,268	0.32	2.11	16.70	2.11	13.17					12.06
MSCI ACWI ex US Small Cap Gross		0.18	3.56	21.90	3.56	16.69					13.75
Excess		0.14	-1.45	-5.20	-1.45	-3.52					-1.69
BLACKROCK EAFE EQUITY INDEX	132,748,182	-0.58	0.74		0.74						0.74
MSCI EAFE (NET)		-0.64	0.66		0.66						0.66

# San Mateo County Manager Return Summary

March 31, 2014



Manager Returns (Net)											
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	7 Year	10 Year	ITD
Excess		0.05	0.08		0.08						0.08
TOTAL FIXED INCOME	591,701,220	0.40	1.95	4.31	1.95	1.07	5.78	9.48	5.76	5.17	5.96
SAMCERA TOTAL FIXED INCOME BENCHMARK		-0.10	2.28	3.11	2.28	-0.40	4.06	5.13	5.20	4.63	5.48
Excess		0.50	-0.33	1.19	-0.33	1.47	1.71	4.35	0.56	0.54	0.48
ANGELO GORDON GECC PPI FUND	19,342										
Barclays BA Intermediate High Yield Index		0.11									
Excess											
ANGELO GORDON MANAGEMENT	37,657,771	1.55	4.77	10.92	4.77	16.57					12.68
Barclays BA Intermediate High Yield Index		0.11	2.85	8.08	2.85	6.06					6.89
Excess		1.44	1.93	2.84	1.93	10.51					5.80
PYRAMIS GLOBAL ADVISORS	165,310,171	-0.17	2.17	3.18	2.17	0.57	4.57	7.58	5.46		5.42
Barclays Aggregate Bond		-0.17	1.84	2.28	1.84	-0.10	3.75	4.80	4.96		4.98
Excess		-0.00	0.32	0.90	0.32	0.67	0.82	2.78	0.50		0.45
WESTERN ASSET MGMT	121,409,766	0.22	2.59	4.17	2.59	0.90	5.28	9.19	5.54		5.31
Barclays Aggregate Bond		-0.17	1.84	2.28	1.84	-0.10	3.75	4.80	4.96		4.58
Excess		0.39	0.75	1.89	0.75	1.00	1.53	4.39	0.58		0.73
BRIGADE CAPITAL MANAGEMENT	64,185,030	0.65	2.59	7.72	2.59	6.60	8.85				9.86
Barclays BA Intermediate High Yield Index		0.11	2.85	8.08	2.85	6.06	8.29				9.09
Excess		0.54	-0.26	-0.36	-0.26	0.55	0.56				0.76
BROWN BROTHERS HARRIMAN & CO	77,723,321	-0.37	1.26	0.23	1.26	-7.16	3.68				3.95
Barclays US TIPS Index		-0.45	2.21	0.64	2.21	-6.80	3.57				3.96
Excess		0.07	-0.94	-0.40	-0.94	-0.36	0.11				-0.01
FRANKLIN TEMPLETON INVESTMENTS	125,395,820	1.37	0.46	4.99	0.46	1.09	6.29				6.87

**San Mateo County  
Manager Return Summary**

March 31, 2014



<b>Manager Returns (Net)</b>											
	<b>\$ EMV</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>FYTD</b>	<b>Cal YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>7 Year</b>	<b>10 Year</b>	<b>ITD</b>
Barclays Multiverse		-0.04	2.43	5.06	2.43	2.19	3.04				3.23
Excess		1.41	-1.97	-0.07	-1.97	-1.10	3.26				3.64
<b>TOTAL PRIVATE EQUITY</b>	107,043,610	0.28	2.10	14.63	2.10	14.71	1.96				-48.00
PRIVATE EQUITY BENCHMARK		0.78	2.72	22.03	2.72	26.23	18.01				20.70
Excess		-0.49	-0.63	-7.40	-0.63	-11.52	-16.05				-68.70
<b>TOTAL RISK PARITY</b>	181,918,916	0.68	5.61	9.72	5.61	-1.36	7.03				7.05
RISK PARITY BENCHMARK		0.25	1.97	12.38	1.97	13.14	10.40				10.20
Excess		0.43	3.64	-2.66	3.64	-14.50	-3.37				-3.15
<b>AQR GLOBAL RISK PREM III LP</b>	181,918,916	0.68	5.61	9.72	5.61	-1.36	7.03				7.05
RISK PARITY BENCHMARK		0.25	1.97	12.38	1.97	13.14	10.40				10.20
Excess		0.43	3.64	-2.66	3.64	-14.50	-3.37				-3.15
<b>HEDGE FUND COMPOSITE</b>	115,941,120	0.90	-0.69	2.57	-0.69	5.42					2.76
LIBOR + 4%		0.34	1.02	3.12	1.02	4.18					4.22
Excess		0.56	-1.71	-0.54	-1.71	1.24					-1.46
<b>AQR DELTA FUND II, L.P.</b>	115,941,120	0.90	-0.69	2.57	-0.69	5.42					2.76
LIBOR + 4%		0.34	1.02	3.12	1.02	4.18					4.22
Excess		0.56	-1.71	-0.54	-1.71	1.24					-1.46
<b>TOTAL COMMODITIES</b>	87,922,223	0.08	2.98	4.88	2.98	-2.23					-1.54
DJ-UBS COMMODITY		0.41	6.99	8.12	6.99	-2.10					-6.89
Excess		-0.33	-4.01	-3.24	-4.01	-0.13					5.35
<b>SSGA MULTISOURCE ACT COMM NL</b>	87,922,223	0.08	2.98	4.88	2.98	-2.23					-1.54
DJ-UBS COMMODITY		0.41	6.99	8.12	6.99	-2.10					-6.89
Excess		-0.33	-4.01	-3.24	-4.01	-0.13					5.35



**San Mateo County  
Manager Return Summary**

March 31, 2014



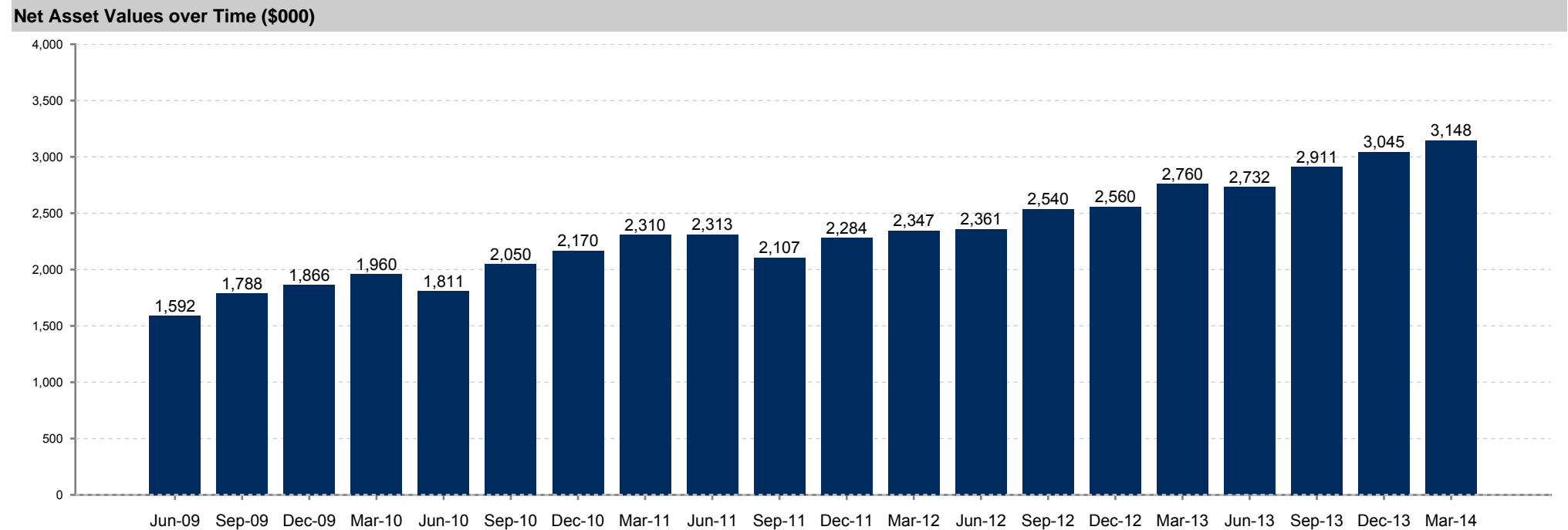
<b>Manager Returns (Net)</b>											
	<b>\$ EMV</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>FYTD</b>	<b>Cal YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>7 Year</b>	<b>10 Year</b>	<b>ITD</b>
TOTAL REAL ESTATE	175,269,752	0.00	0.00	5.49	0.00	10.35	11.47	4.48	2.14	7.07	7.73
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	0.00	5.81	0.00	8.85	11.38	5.76	2.77	6.96	7.89
Excess		0.00	0.00	-0.32	0.00	1.50	0.08	-1.28	-0.63	0.11	-0.16
INVESCO REAL ESTATE	175,269,752	0.00	0.00	5.49	0.00	10.35	11.40	4.49	2.15		6.45
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	0.00	5.81	0.00	8.85	11.38	5.76	2.77		6.62
Excess		0.00	0.00	-0.32	0.00	1.50	0.02	-1.27	-0.62		-0.17
TOTAL CASH	26,745,391	-0.03	0.28	0.49	0.28	0.60	0.64	0.82	0.83	1.64	2.34
91 DAY TREASURY BILL		0.00	0.01	0.04	0.01	0.07	0.08	0.12	0.91	1.67	2.23
Excess		-0.03	0.27	0.44	0.27	0.53	0.55	0.71	-0.08	-0.03	0.11
SAMCERA GENERAL ACCOUNT	25,520,405	0.00	0.01	0.04	0.01	0.06	0.22	0.23	1.12	1.86	2.35
SAMCERA TREASURY & LAIF	1,224,986	-0.15	0.23	0.49	0.23	0.63	0.80	0.95	0.82	1.51	
CLIFTON GROUP - CASH OVERLAY	20,182,778	0.00	0.01		0.01						0.03
91 DAY TREASURY BILL		0.00	0.01		0.01						0.03
Excess		0.00	0.00		0.00						-0.00
TOTAL FUND	3,147,716,276	0.36	1.92	12.96	1.92	12.91	8.90	14.69	4.27	6.26	6.87
SAMCERA TOTAL PLAN POLICY BENCHMARK		0.26	1.85	13.50	1.85	13.37	9.45	15.51	5.59	7.10	7.21
Excess		0.10	0.07	-0.54	0.07	-0.47	-0.55	-0.82	-1.31	-0.84	-0.34

**San Mateo County  
Accounting Change in Market Value Details**

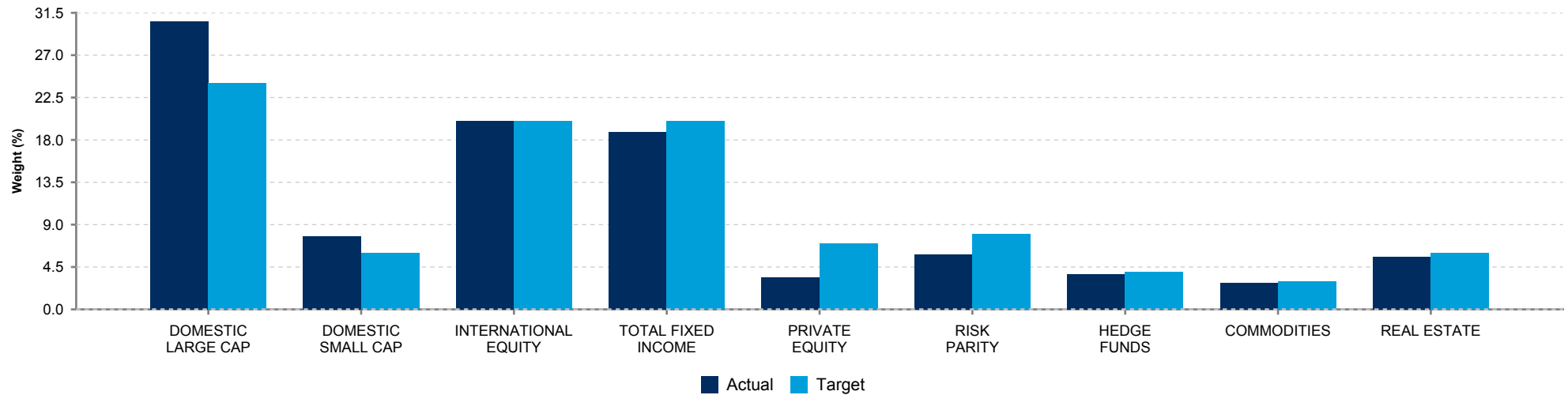
March 31, 2014



<b>Record of Asset Growth</b>		
	<b>One Quarter</b>	<b>One Year</b>
<b>TOTAL FUND</b>		
Beginning Market Value	3,044,756,835	2,759,804,472
Contributions	468,850,358	1,656,800,805
Withdrawals	426,021,546	1,635,933,377
Income Received	11,341,810	39,320,410
Gain/Loss	48,788,819	327,723,965
Ending Market Value	3,147,716,276	3,147,716,276



Actual vs Target Weights



% Portfolio Weight

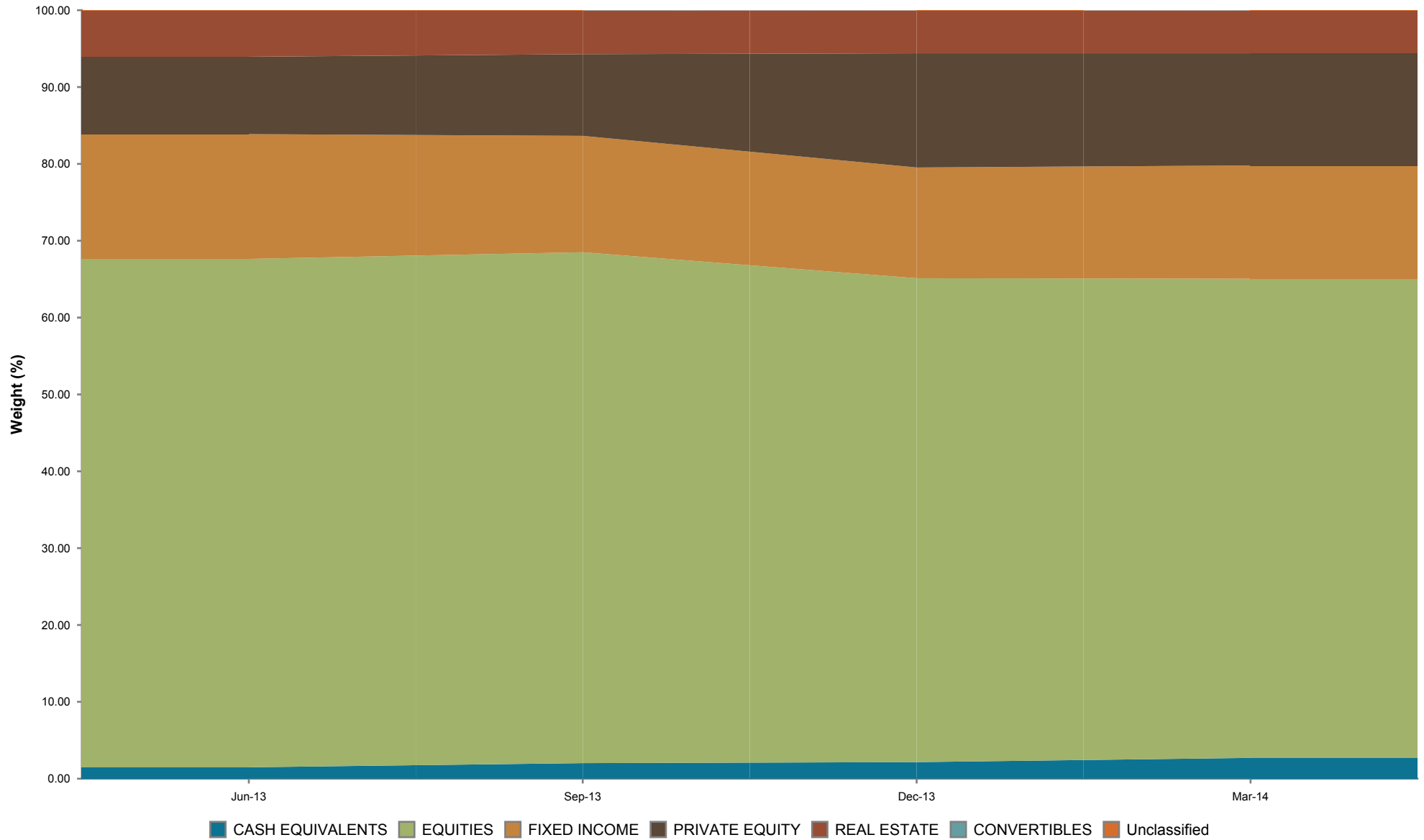
	Min	Actual	Target	Deviation	Max
DOMESTIC LARGE CAP	20.0	30.6	24.0	6.6	28.0
DOMESTIC SMALL CAP	4.0	7.8	6.0	1.8	8.0
TOTAL INTERNATIONAL EQUITY	15.0	20.0	20.0	0.0	25.0
TOTAL FIXED INCOME	15.0	18.8	20.0	-1.2	25.0
PRIVATE EQUITY	5.0	3.4	7.0	-3.6	9.0
RISK PARITY	6.0	5.8	8.0	-2.2	10.0
HEDGE FUNDS	2.0	3.7	4.0	-0.3	6.0
COMMODITIES	1.0	2.8	3.0	-0.2	5.0
REAL ESTATE	4.0	5.6	6.0	-0.4	8.0

# San Mateo County Asset Allocation Over Time

March 31, 2014



### Asset Allocation Over Time

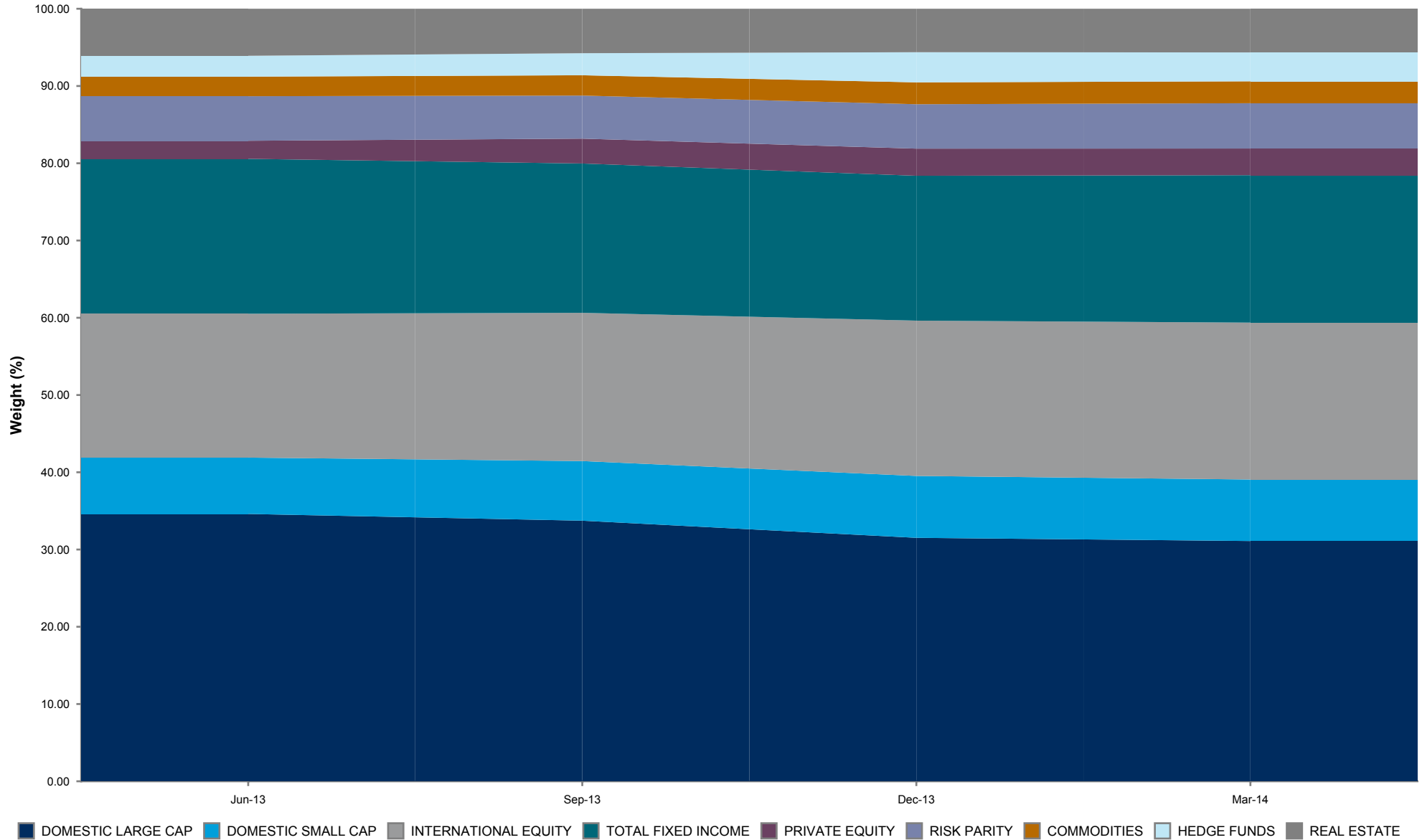


**San Mateo County**  
**Sub-Asset Class Allocation Over Time**

March 31, 2014



**Sub-Asset Class Allocation Over Time**




**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

April 29, 2014

Agenda Item 6.2

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer 

**SUBJECT:** Report on the Annual Review of SamCERA's International Managers (Eaton Vance, Franklin Templeton, and Pyramis)

**Staff Recommendation**

Review the report on the annual review of SamCERA's International Managers.

**Background**

On April 3rd, SamCERA staff held annual review meetings in SamCERA's office for our international managers. As a reminder, SamCERA's International Value and Growth managers, Mondrian Investment Partners and Baillie Gifford Overseas, will be reviewed later in the year along with domestic managers in their respective investment style.

Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

**Discussion**

The Eaton Vance Parametric Structured Emerging Markets Equity strategy, which is a structured, rules based approach, was reviewed first. Next, the Franklin Templeton Global Multi-Sector Plus bond strategy, which is a global bond mandate managed in an unconstrained fashion using a top-down fundamental framework, was reviewed. Lastly, the Pyramis Select International Small-Cap Plus strategy was reviewed. This is a core strategy that provides a broad exposure to the international small-cap equity asset class.

There were no major concerns identified in the Eaton Vance and Templeton portfolio reviews. However, the Pyramis Select International Small-Cap Plus strategy has underperformed the index recently and over longer periods it does not compare favorably to its peers. We will continue to closely monitor this strategy going forward. Meeting notes are attached to this memo summarizing the findings from these annual reviews.

**Attachments**

- A. *Franklin Templeton Global Multi-Sector Plus Annual Review Meeting Notes*
- B. *Eaton Vance Parametric Annual Review Meeting Notes*
- C. *Pyramis Select International Small-Cap Annual Review Meeting Notes*

Printed on: 04/10/2014

Date of meeting: 4/3/2014

Location: SamCERA

Manager Representative(s)

Kristen Gaspar (Relationship Manager), Reuben Butler (Institutional Portfolio Manager)

SIS Representative(s)

None

SamCERA Representative(s)

David Bailey (SamCERA CEO), Mike Coultrip (SamCERA CIO), Scott Hood (SamCERA AEO), and Lauryn Agnew (Board and IC Member)

### Product Description

Parametric utilizes a structured, rules-based approach, which they believe is capable of generating enhanced returns with lower volatility compared to both traditional active management and passive capitalization weighted indices. The basic idea is to structure the portfolio with more balanced country weights than the market cap weighted indices, and also to capture a rebalancing premium. This provides more diversification and greater exposure to smaller countries than is provided by the market cap weighted indices. The approach is to divide emerging market and frontier countries into four tiers, and to equally weight the countries within each tier. Tier 1 countries are the largest eight countries that dominate the cap weighted index. Each successive tier is comprised of smaller countries, each of which is given a smaller target weighting in the model portfolio. In aggregate, the eight Tier 1 countries are given a much lower weighting than in the capitalization weighted index, but they nevertheless comprise more than 50% of the portfolio. Tier 4 countries are in the frontier markets, which generally constitute 10-15% of the portfolio. The SEM strategy targets excess return of 3% over a market cycle with 4.5%-6.5% tracking error. It is designed to generate a level of volatility 85%-95% of the MSCI EM index. The strategy invests in 44 countries and will typically hold 1,000-1,500 securities. Turnover is expected to be in the range of 20%-25%.

### Meeting Notes

### Organization

Parametric now has offices in Seattle WA, Westport CT., and Minneapolis MI. The structured equity strategies are run from the Seattle office. Parametric is building out their own distribution team. Previously they have relied on folks from Eaton Vance. As a result, Kristen Gaspar, who has been our primary relationship manager at Eaton Vance, will be replaced by Dan Ryan, who is a Parametric employee.

### Investment Team

Because this is a structured strategy, there is not a large staff and the investment team is quite technology oriented. Approximately one third of the staff members at Parametric are software developers. The main role of the portfolio manager is to implement the portfolio according to the strategy's rules. Implementation requires careful consideration market liquidity. Most other active decisions, e.g. which countries are included in the strategy and in which tier, occur at the investment committee level.

## Investment Strategy

Parametric is now managing approximately \$19 billion in emerging markets equities. The flagship Structured Emerging Markets strategy in which SamCERA is invested constitutes \$14.4 billion of the total. There is also a similar strategy that omits the frontier market exposure. Although Parametric has no official plans to close the flagship strategy, it is the frontier markets sleeve that will ultimately limit capacity. They monitor liquidity in the frontier markets and regularly publish the results in a liquidity study.

Rebalancing triggers range from 20% bands for some countries up to 50% for others. This is determined by country specific liquidity, volatility and transaction costs. When the band is reached, Parametric will rebalance to the country's target weight. They also use cash flows for rebalancing.

There have been some changes in the country tiering over the past year. Greece was added as a Tier III country, while Qatar and U.A.E. were moved to Tier III from Tier IV. Morocco and Panama were moved from Tier III to Tier IV. All countries are given an equal weight in each tier, with the exception of China, which is the largest weighting in the MSCI EM index. Instead of the target 6% weighting given to the other top tier countries, Parametric weights China at closer to 9% to limit its contribution to tracking error.

The strategy also involves a more equal weighting of sectors at the country level than the benchmark. However, it is often the case that one or two sectors will dominate the market in a given country and therefore it is only possible to reduce, but not eliminate, sector concentration at the country level. They will hold a minimum of .75X the benchmark weighting and a maximum of 4X times the benchmark weighting of any sector within a country. Parametric maintains the view that country, rather than sector, is the dominant driver of returns in the emerging markets. However, they have been researching a potential change to this philosophy and may be looking to equal weight sectors in the larger countries to account for more sector influence in larger countries.

At the stock level, Parametric invests at the index weight, adjusted for their country and sector weightings, taking liquidity into consideration. Usually they buy securities in the local markets, but they will also buy ADRs and GDRs, as well as country funds, depending on liquidity. Exposure to China is primarily through Hong Kong traded shares.

## Performance

The strategy has performed to expectations and has provided over 300 basis points in net outperformance since account inception (3/28/12) through 2/28/14, as frontier and select smaller emerging market countries performed better than the EM Index.



Printed on: 04/16/2014

Date of meeting: 4/3/2014

Location: SamCERA

Manager Representative(s)

Sue Curran (RM- Client Service),  
Mark Botelho (Client Service),  
Nicholas Horn (Institutional PM)

SIS Representative(s)

None

SamCERA Representative(s)

David Bailey (SamCERA CEO), Scott Hood (AEO), Mike Coultrip (SamCERA CIO), Lauryn Agnew (Board and IC Member)

**Product Description**

Pyramis Select International Small Cap Plus is a core strategy that provides broad exposure to the international small cap equity asset class. There are approximately 200 holdings in the portfolio. Country and sector weights are within 3 percentage points of the benchmark and position sizes are within 2 percentage points of the benchmark. Turnover tends to be in the 60%-80% range.

**Meeting Notes**

**Organization**

During the year, Fidelity segmented its research platform in order that analysts serve fewer portfolio managers and portfolio managers have more dedicated resources. With this change, Pyramis portfolio managers, such as Rob Feldman, the portfolio manager for the Select International Small Cap strategy, no longer have access to FIL analysts (Fidelity Worldwide Investment). FIL provides asset management services to investors all over the world outside of the US and Canada and has 135 analysts in Europe and Asia. Pyramis portfolio managers still have access to 236 Pyramis and Fidelity analysts located in the US and globally. Pyramis itself has 60 analysts located outside the US.

**Investment Team**

Portfolio manager Rob Feldman is in his 14th year managing the Select International Small Cap strategy. New this year, he is also supported by an Associate Portfolio Manager (Shah Badkoubei). He is also supported by two institutional portfolio managers who handle a significant amount of the client communication. In addition to the large research platform of sector and industry analysts at Pyramis and Fidelity, there are four small cap analysts at Pyramis, who are a dedicated resource for the Select Small Cap strategies. As a result, there are now 4 dedicated small-cap analysts and 1 associate portfolio manager on the International Small-Cap team. Their compensation is also now tied to their performance within the products, with 30% of their bonus tied to their 'impact' on portfolio performance, 50% tied to their model portfolio performance, and 20% qualitative.

**Investment Strategy**

This strategy maintains approximately neutral sector and regional exposures relative to the benchmark. The

approach seeks to add value via stock selection rather than by expressing macro views. The international small cap opportunity set is quite broad with over 7000 stocks, many of which are lightly covered by sell side research analysts. Pyramis is seeking to benefit from its depth of resources, i.e., the firm's ability to conduct research on a large number of these stocks.

The Select International Small Cap portfolio is not limited to the names in the benchmark. And in fact, currently, the portfolio is 25% weighted in out-of-benchmark names. However, all the holdings are domiciled in countries included in the MSCI ACWI ex US Small Cap index.

From a style perspective, this is a core strategy with a "growth at a reasonable price" tilt.

The stated performance objective for the Plus version of this strategy (ACWI ex US) is 300 basis points of alpha and 4%-6% of tracking error.

### **Performance & Positioning**

From account inception through the end of the fourth quarter of 2013, the strategy generated negative -61 basis points of negative excess return net of fees. In the first quarter of 2014 the strategy further lagged the benchmark by approximately 120 basis points. We discussed the sources of underperformance, which include not holding a number of benchmark names that did exceptionally well (Alcatel Lucent was up 300% in 2013 and was not owned in the portfolio). In fact, stock selection in Europe was a major drag in the portfolio during 2013. Another source of negative relative performance was the fair value adjustment, which Pyramis applies to their commingled funds in order to discourage market timing across time zones. This impact tends to even out over longer periods of time.

We will continue to closely watch and monitor this strategy to see if the additional dedicated team resources are impactful to relative performance in the future.

Printed on: 04/17/2014

*Date of meeting: 4/3/2014*

*Location: SamCERA*

Manager Representative(s)

Bill Deakyne (Business Development), Brian Henry  
(Institutional Portfolio Manager)

SIS Representative(s)

None

SamCERA Representative(s)

David Bailey (CEO), Mike Coultrip (CIO), Scott Hood (AEO),  
Lauryn Agnew (Board and IC Member)

### **Product Description**

Franklin Templeton manages this global bond mandate in an unconstrained fashion using a top-down fundamental framework. In the short-term and on a country-by-country basis there are often inefficiencies in global bond and currency markets; however, over the longer term, the market will generally price to fundamentals. Thus, FT focuses on fundamental research to identify long-term opportunities and uses short-term market inefficiencies to build positions in such investments.

### **Meeting Notes**

### **Investment Team**

Franklin Fixed Income Group consists of a team of more than 140 investment professionals located in offices around the world. A large portion of the team, including portfolio managers, is located in the local San Mateo office. The group is structured as sector research teams, which serve to generate investment ideas and present them to the portfolio management team. There were no changes to the investment team or process during the year.

### **Investment Strategy**

The philosophy is that getting the countries right often drives the performance of the portfolio. But there are three main sources of return: currency, interest rates and credit. They generally limit risk to any one of these to 2/3 of the total. Last year the risk associated with their currency positions was at the max of this range, but has scaled back to approximately 50-60% currently. Approximately 15-20% of portfolio risk is derived from interest rates, and 25-30% from credit.

The portfolio is not managed to be similar to the benchmark, and there is little focus on tracking error. But they are attentive to other kinds of risks. They model the VAR of the portfolio as well as conditional VAR, which considers tail risks. Recently they have been running at about 800-1000 basis points of VAR.

The investment process integrates inputs from various sources within the fixed income team. The sector heads meet weekly. Different fixed income teams make presentations each week. The portfolio managers participate in these

meetings and ultimately they are comparing the relative values of the various sectors. These relative values are considered within the context of the global macro views of the portfolio managers. Analysts pitch their ideas to the portfolio managers, and Michael Hasenstab must sign off on them before they are purchased. The risk team assesses the impact any trade will have on the risk of the portfolio. The investment team also works with trading to determine the most efficient/cost effective means of achieving the desired exposure.

### **Performance & Positioning**

For the year ending December 2013, the strategy returned 4% net of fees, while the benchmark (just to provide reference as the strategy is not managed towards the benchmark) was down -2.2%. There was a huge dispersion in bond and currency performance for the year. The major themes in the portfolio continue to be lower exposure to interest rate duration as they think rates will be rising (the duration of the portfolio is currently in the 2.5 - 3 year range), overweight to periphery Europe, while in currencies they are underweight the Yen and Euro while being overweight USD.

For 2013 credit was a positive contribution to returns, closely followed by interest rate exposure, while currency was a slight detractor. During the meeting we discussed the strategy's Ukraine exposure. Our account holds just under 4% exposure to Ukraine, mostly in USD bonds. As of the date of our meeting these bonds were holding steady and generated positive performance in Q1.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

April 29, 2014

Agenda Item 6.3

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer

**SUBJECT:** Discussion and Approval of Proposed Changes to the Investment Policy

**Staff Recommendation**

Review the attached Investment Policy documents and be prepared to discuss during the April Board meeting.

**Background**

The Investment Committee's work plan calls for an annual review of SamCERA's Investment Policy Statement (IPS). SamCERA's IPS was last reviewed in January 2012. That annual review was suspended due to multiple changes to the portfolio structure that the Board has undertaken, including approving a new asset allocation target portfolio in the October 2013 Board meeting. Now that the major portfolio changes are complete, staff and consultant have updated the current IPS to reflect Board input over the past year, including adding a set of investment beliefs that were discussed in the February 2013 Board meeting.

**Discussion**

Given the breadth of the proposed changes to the current IPS, in January the Board requested that the review be partitioned to allow more focus in the review process. As a result, Sections 1 through 7 were reviewed during the February and March Board meetings. A red-line IPS version of these sections is attached. It includes changes based on Board comments at these meetings. Some of the changes include defining the asset class policy benchmark in the Asset Allocation & Portfolio Structure section, removing the financial market and sustainability beliefs in the Investment Beliefs section, and adding a new General Investment Policy to reiterate the Board's fiduciary duty to always act in the best economic interests of SamCERA's plan beneficiaries and plan sponsors.

During the March Board meeting, the Board asked that the remainder of the IPS (Sections 8 through 14) be distributed to the Board members for their comments and feedback. Members were to email comments directly to Mike Coultrip, who would then share the feedback with the Board during the April meeting. Attached you will find a red-line version of the proposed IPS, beginning with Section 8, that reflect these comments.

**Attachments**

- A. *SamCERA Investment Policy Redline Sections 1-7*
- B. *SamCERA Investment Policy Redline Beginning with Section 8*

*Draft of SamCERA's Investment Policy*

~~April~~ February 2014

DRAFT

## 1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of SamCERA’s assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this statement of Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the 1937 Act, the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

### A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

**The powers and duties of the Retirement Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Retirement Board.**

**The San Mateo County Employees’ Retirement Association (“SamCERA”) was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944.** This ordinance established the retirement system in accordance with the provisions of California’s County Employees’ Retirement Law of 1937.

#### **Constitution of the State of California**

Article XVI, Section 17, relates to the administration of the system and investment of the fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board’s duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

### **The 1937 Act**

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the fund:

“31595. The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

### **SamCERA's Mission & Goals**

The Retirement Board has adopted a Mission & Goals statement. The Mission summarizes SamCERA's reason to exist.

“Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.”

The Mission is further defined by three goals. One goal speaks to the management of the assets of the fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other requirements in law, The San Mateo County



Employees' Retirement Association Board of Retirement has established this Investment Policy.

### **23.0 ROLES AND PRINCIPAL DUTIES**

The Fund investments shall be prudently planned, implemented, managed, and monitored. The Board, Investment Committee (the "Committee"), investment staff (the "Staff"), Consultant (the "Consultant"), Custodian Bank (the "Custodian"), and Managers shall coordinate this process. The roles and principal duties of the above-mentioned parties are defined below:

A. THE BOARD shall review and approve Committee recommendations. The Board also will review, adopt and monitor all investment policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund.

B. THE COMMITTEE shall identify issues pertinent to the effective investment and administration of the Fund and, on Board approval, initiate analysis of such issues by Staff, Consultant or Managers. It also reviews Staff's and Consultant's recommendations regarding all investment policies and investment Fund management. The Committee provides recommendations to the Board for adoption, oversees implementation, and monitors the investment programs in accordance with all applicable laws and Board-established policies, guidelines and procedures. Refer to **Attachment A - Charter of SamCERA's Investment Committee of the Board** for detailed Committee responsibilities.

C. THE STAFF shall oversee the Fund's investment program activities, implement the Board decisions, make recommendations to the Committee regarding Fund management, and recommend investment-related policies and procedures to the Committee. Additionally, Staff shall monitor the performance and compliance of Managers in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as Schedule B Investment Guidelines set out in the investment management agreements (IMA) between SamCERA and each Manager. Staff shall also facilitate the Committee meetings and complete activities as directed by the Board.

D. THE CONSULTANT shall review, analyze and evaluate the Fund's effectiveness and efficiency and make fund management related recommendations. Consultant assists Staff in implementing the Board decisions and developing all investment-related policies. Consultant's responsibilities are detailed in the service agreement between SamCERA and Consultant.

E. THE CUSTODIAN shall provide custody of SamCERA's investment assets. In addition, Custodian will manage the securities lending program. The Custodian's responsibilities will be detailed in the service agreement between SamCERA and Custodian.

F. THE MANAGERS shall prudently manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as

Specific Investment Guidelines. Managers' responsibilities will be detailed in the IMAs between SamCERA and each Manager.

### **34.0 INVESTMENT OBJECTIVES**

~~The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, in order to meet the following objectives: overarching investment objective of the Fund is to efficiently allocate and manage the Fund assets in order to provide for the payment of benefits. The following specific objectives are set forth with this in mind.~~

A. Generate risk-adjusted returns that exceed the ~~A~~asset ~~A~~allocation ~~P~~olicy ~~p~~ortfolio ~~B~~enchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.

B. ~~Move~~Provide for moving toward full actuarial funding of the Pension Benefit Obligation based on GASB 25 and the Board's policy of layered fifteen-year unfunded actuarial accrued liability (UAAL) amortization periods.

C. Achieve a portfolio return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).

D. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

### **45.0 INVESTMENT BELIEFS PHILOSOPHY**

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

#### **Financial Market Beliefs**

- ~~• The equity risk premium will continue to exist, but may be smaller going forward than the long-term historical numbers suggest.~~
- ~~• There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.~~

#### **Investment Process Beliefs**

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.

- For those asset classes evidencing market efficiencies, the manager structure may will favor the employment of passive strategies.
- ~~Diversification is fundamental, balance, and patience are key across many dimensions.~~
- ~~There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.~~
- The portfolio should be diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

#### Sustainability / Corporate Governance Beliefs

- ~~While strong corporate governance practices and sustainability should help maximize shareholder value, SamCERA will always seek to act in the best economic interests of its plan beneficiaries.~~
- ~~In administering the system, including managing the investments of the fund, SamCERA shall not pursue other purposes than those authorized in the California Constitution: "providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system."~~

#### **56.0 GENERAL INVESTMENT POLICIES**

Consistent with the investment beliefs contained in ~~the Investment Philosophy~~ **Section 45**, it is the Investment Policy of the Board to:

A. Consistent with fiduciary standards, always act in the best economic interests of SamCERA's plan beneficiaries and plan sponsors, and refrain from making investment decisions for political, social, or other non-economic reasons.

BA. Pursue an investment strategy that reduces the volatility of returns through ~~the~~ prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in **Section 67** of this Investment Policy.

CB. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.

DC. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in **Section 67**, and reevaluate on an annual basis.

ED. Reevaluate the asset-liability study every three to five years.

~~FE.~~ Delegate full discretion to each investment manager, to the extent authorized in their IMA.

~~GE.~~ Adopt objectives that encourage ~~the~~ investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.

~~HF.~~ Refrain from ~~drastically/ramatically~~ shifting asset class allocations over short time spans, unless it is in the fund's best interest to do so.

~~IG.~~ Rebalance the portfolio in accordance to the Rebalancing Policy set forth in **Section 78.**

**67.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE**

The target asset class allocation, rebalancing ranges, and the sub-asset class portfolio structure of the Fund shall be allocated as follows:

ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	50%	±3%
Fixed Income	20%	±2%
Risk Parity	8%	±2%
Alternative Assets *	16%	±2%
Real Estate *	6%	±2%

\* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

A. ~~The~~ Public Equity Assets shall be allocated to managers ~~within~~reflecting the following ~~sub- investment~~ asset classes:

PUBLIC EQUITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	24.00%	±2%
Passive Core	10.50%	
Active Core	4.50%	
Growth	4.50%	
Value	4.50%	
Small Capitalization Domestic	6.00%	±2%
Growth	3.00%	
Value	3.00%	
International	20.00%	±2%

**Comment [MC1]:** Should we add rebalancing ranges for all sub-categories?

Passive EAFE	4.00%	
Growth	6.00%	
Value	6.00%	
Small Capitalization	2.00%	±2%
Emerging Market	2.00%	±2%
<b>TOTAL PUBLIC EQUITY</b>	50.00%	

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B. ~~The~~ Fixed Income Assets shall be allocated to managers ~~within~~reflecting the following ~~sub-investment~~ asset classes:

FIXED INCOME ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	5.50%	±2%
Core Plus	3.75%	±2%
Opportunistic Credit	5.00%	±2%
Inflation Protection	2.00%	±2%
Global Bonds	3.75%	±2%
<b>TOTAL FIXED INCOME</b>	20.00%	

C. ~~The~~ Alternative Assets shall be allocated to managers ~~within~~reflecting the following ~~sub-investment~~ asset classes:

ALTERNATIVE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Private Equity	7.00%	±2%
Hedge Funds (Absolute Return)	4.00%	±2%
Commodities	3.00%	±2%
Real Assets	2.00%	±2%
<b>TOTAL ALTERNATIVE ASSETS</b>	16.00	

D. ~~The~~ Risk Parity Assets shall be allocated as follows:

RISK PARITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Risk Parity	8.00%	±2%
<b>TOTAL RISK PARITY</b>	8.00%	

E. ~~The~~ Real Estate Assets shall be allocated as follows:

REAL ESTATE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	6.00%	±2%
<b>TOTAL REAL ESTATE</b>	6.00%	

**F. Asset Allocation Policy Benchmark**

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The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6A through 6E and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant, Strategic Investment Solutions.

<b>Benchmark</b>	<b>Asset Allocation Policy Benchmark</b>
<b>Domestic Equity</b>	<b>50%</b>
Russell 1000 Index	24%
Russell 2000 Index	6%
MSCI ACWI x US IMI Index	20%
<b>Fixed Income</b>	<b>20%</b>
BC Aggregate Index	9%
BC BA Intermediate High Yield Index	5%
BC Capital US TIPS Index	2%
BC Multiverse Index	4%
<b>Risk Parity</b>	<b>8%</b>
60% Russell 3000 / 40% BC Aggregate	8%
<b>Alternatives</b>	<b>16%</b>
Russell 3000 +3%	7%
LIBOR + 4%	4%
DJ UBS Commodity Index	3%
CPI + 5%	2%
<b>Real Estate</b>	<b>6%</b>
NCREIF ODCE	6%

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Comment [MC2]: Should we change this to a global benchmark?

**78.0 REBALANCING POLICY**

A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 67.

- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established Rebalance Ranges specified in Section 6.7.
- C. The CIO will have discretion ~~regarding whether~~ to rebalance to Target or to some other allocation, as long as it is within ~~said parameter~~policy ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible, exchange traded derivatives will be used to rebalance in a cost-effect manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

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## 8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the investment management agreement (IMA) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as either:

- (a) Cumulative annualized performance (net of fees) over a three-year period below a broad market based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return, And / Or
- (b) Performance will be evaluated in light of the manager's stated style and discipline.

## 9.0 PUBLIC EQUITY INVESTMENT POLICIES

PUBLIC EQUITY OVERVIEW: Public equity is expected to produce returns higher than that provided from fixed income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of the general economic growth. There are two primary parts to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

PUBLIC EQUITY MANAGER STRUCTURE:

**Domestic Equity:** For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The domestic equity composite will consist of two sub-composites; 1) Large-Capitalization Equity and, 2) Small-Capitalization Equity. The large-cap composite will consist of Core, Value, and Growth. Core will consist of two strategies, one a passive and another a low-tracking error active, while the Growth and Value categories will consist of higher tracking error active strategies. The Small-Capitalization strategy will consist of actively-managed Value and Growth strategies.

**International Equity:** International Equity will consist of two sub-composites; 1) Developed Equity and, 2) Emerging Equity. Developed Equity will consist of a passive Core component and active Value, Growth (although both have exposure to emerging markets) and core small-cap strategies. Emerging Equity will consist of an active core mandate.



PUBLIC EQUITY PERFORMANCE OBJECTIVE:

The performance objective of the Public Equity Category is to outperform on a net of fee basis a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for both the domestic and international equity parts (which results in the following weights: 48% Russell 1000, 12% Russell 2000, and 40% MSCI World ex US IMI), with a maximum tracking error of 3% to this benchmark.

PUBLIC EQUITY RISK EXPOSURES AND RISK MITIGATION:

The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that –exhibit limited correlation to economic growth. In addition, SamCERA’s rebalancing ranges for small-cap and emerging market equities will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

<b>ASSET CLASS</b>	<b>BENCHMARK INDEX</b>
<b>Total Public Equity</b>	<b>Customized Benchmark Portfolio</b>
<b>Domestic Equity</b>	<b>80% Russell 1000 / 20% Russell 2000</b>
Large Capitalization Domestic Equity	Russell 1000
Passive Core	S&P 500
Active Core	S&P 500
Large Growth	Russell 1000 Growth
Large Value	Russell 1000 Value
Small Capitalization Domestic Equity	Russell 2000
Small Growth	Russell 2000 Growth
Small Value	Russell 2000 Value
<b>International Equity</b>	<b>MSCI All Country World ex US IMI</b>
Developed International	MSCI All Country World ex US
Developed International Growth	MSCI ACWI Free ex US Growth
Developed International Value	MSCI ACWI Free ex US Value
International Small	MSCI ACWI Small Cap ex US
Emerging Markets	MSCI Emerging Markets Free

**10.0 FIXED INCOME INVESTMENT POLICIES**

FIXED INCOME OVERVIEW: Fixed income is expected to provide a lower but more steady stream of returns than public equity asset classes, but is also expected to reduce the risk

of the overall portfolio because bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within fixed income that exhibit very different risk/return trade-offs and hold different tasks in terms of role in the portfolio. Fixed Income is broken out into 5 subcategories:

1) Core, 2) Core Plus, 3) Opportunistic Credit, 4) Inflation Protection, and 5) Global

**Core Fixed Income:** Core is generally considered the lowest-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also consists of sectors that track those that comprise the Barclays Aggregate Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

**Core Plus:** Core Plus is a medium-risk fixed income sub-category, and contains the sectors contained in Core "plus" high yield (below investment grade bonds), non- U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Plus's role in the portfolio is a combination of total portfolio volatility dampening combined with some modest return potential.

**Opportunistic Credit:** Opportunistic Credit is expected to be the highest-risk fixed income category, and will be used to enhance return by investing in non-traditional sectors of the bond market, including bank loans, high yield bonds, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities.

**Inflation Protection:** Inflation Protection is expected to provide some protection against higher rates of inflation.

**Global Fixed:** Global Fixed has characteristics similar to a combination of Core and Core Plus but extended to a global opportunity set, and is expected to provide some portfolio volatility dampening along with some return enhancement.

#### FIXED INCOME PERFORMANCE OBJECTIVE:

The performance objective of the Fixed Income Composite is to outperform, on a net-of fee-basis, a customized index incorporating the weighted average components for five sub-categories highlighted above (which results in the following weights: 46% Barclay's Capital Aggregate Bond Index, 25% Barclays BA Intermediate High Yield Index, 10% Barclays Capital US TIPS Index, and 19% Barclays Capital Multiverse Index), with a maximum tracking error of 3% to this benchmark.

#### FIXED INCOME RISK EXPOSURES AND RISK MITIGATION:

The fixed income sub-sectors have very different risk factor exposures, with Core being generally the lowest risk, highest liquid sub-category, while Opportunistic Credit is generally the highest risk, lowest liquid category. SamCERA will take into account these unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

**Core:** The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

**Core Plus:** Typically includes the risk factors found in Core with additional (more secondary) exposures to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

**Opportunistic Credit:** Typically includes the risk factors contained in Core and Core Plus, but with higher emphasis to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

**Inflation Protection:** The primary risk factors are to changes in real interest rates, deflationary environments (although deflation floors could mitigate some of this risk), and potential illiquidity.

**Global Fixed:** The primary risk factors are sensitivity to global interest rates, sovereign credit risk, and currency impacts.

<b>ASSET CLASS</b>	<b>BENCHMARK INDEX</b>
<b>Fixed Income</b>	<b>Customized Benchmark Portfolio</b>
Domestic Fixed Income	Barclays Capital Aggregate Bond Index
Core/Core Plus	Barclays Capital Aggregate Bond Index
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index
Inflation Protection	Barclays Capital US TIPS Index
Global Fixed Income	Barclays Capital Multiverse Index

**11.0 REAL ESTATE INVESTMENT POLICIES**

REAL ESTATE OVERVIEW: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. The majority of exposure will be in “Core” real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. The remainder will be “Value-Add” properties that are expected to provide somewhat higher return potential along with somewhat higher risk. Income will be a large part of the return stream generated from this portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Equity composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core and Value-Add strategies.

REAL ESTATE PERFORMANCE OBJECTIVE:

The performance objective of the Real Estate Composite is to outperform, on a net-of-fee basis, the NCREIF ODCE Index over a 5-year rolling period.

REAL ESTATE RISK EXPOSURES AND RISK MITIGATION:

Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate investments. Value-add and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA's real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties. Opportunistic-oriented strategies will reside in our Private Equity portfolio due to their higher risk profile. In addition, SamCERA's core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund's Advisory Committee.

ASSET CLASS	BENCHMARK INDEX
Real Estate	NCREIF ODCE

## 12.0 ALTERNATIVE ASSETS INVESTMENT POLICIES

ALTERNATIVES OVERVIEW: Alternatives are investments that do not neatly fit into public equities, fixed income, or real estate. SamCERA's alternatives program is broken out into the following four sub asset classes:

- 1) Private Equity, 2) Hedge Funds, 3) Commodities, and 4) Private Real Assets

**Private Equity:** Private Equity is expected to be the highest returning asset class over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the fund to meet its performance objectives. The Private Equity program will contain manager allocations to three primary sub-categories; 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	60%	+/- 20%
Venture Capital	20%	0 – 30%
Debt/Special Situations	20%	+/- 10%

The responsibility for private equity sourcing is delegated to *SamCERA's* investment consultant.

The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality.

(a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

**Vintage Year:** It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

**Investment Manager:** No more than twenty (20) percent of the private equity portfolio's target allocation to may be committed to any one investment manager (excluding Fund of Funds).

**Geography:** Through commitments to funds located and/or investing both in and outside of the United States.

**Industry:** It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) **Quality:** All commitments to private equity by *SamCERA* must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with *SamCERA's* private placement disclosure rules.

**Hedge Funds (Absolute Return):** The hedge fund category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds ~~(to limit liability look-through to the rest of the Plan assets)~~ and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

**Commodities:** Commodities are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets.

**Private Real Assets:** Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but

positive correlation with inflation. Private Real Assets will be composed of three sub-categories; 1) Infrastructure (Core, Secondary, Midstream Energy, and Power), 2) Mining, and 3) Farmland/Timber/Water. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation target allocation and ranges around target are summarized below:

<b>Sub-Category</b>	<b>Target Allocation</b>	<b>Range</b>
Infrastructure	50%	+/- 50%
Mining	0%	0 – 50%
Farmland/Timber/Water	0%	0 – 50%

ALTERNATIVES PERFORMANCE OBJECTIVE:

The performance objective of the Alternatives Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for four sub-asset classes highlighted above (which results in the following weights: 44% Russell 3000+3%, 25% LIBOR+4%, 19% Dow Jones-UBS Commodity, and 12% CPI+5%).

<b>ASSET CLASS</b>	<b>BENCHMARK INDEX</b>
<b>Alternatives</b>	<b>Customized Benchmark Portfolio</b>
Private Equity	Russell 3000 + 3.0%
Commodities	Dow Jones-UBS Commodity
Hedge Funds	LIBOR + 4.0%
Real Assets	CPI + 5.0%

ALTERNATIVES RISK EXPOSURES AND RISK MITIGATION

Alternatives, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature both Private Equity and Private Real Assets are generally illiquid in that the life of these fund investments can be as long as 10 to 12 years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

**13. RISK PARITY INVESTMENT POLICIES**

RISK PARITY OVERVIEW: Risk Parity is a risk-diversified balanced portfolio that is expected to provide a more diversified return and risk profile than that of a traditional 60% equity / 40% fixed income portfolio. It is generally designed to be approximately equal risk-weighted between equity risk, interest rate risk, inflation risk, and credit risk.

RISK PARITY PERFORMANCE OBJECTIVE:

The performance objective of the Risk Parity Composite is to outperform, on a net-of-fee basis, the 60% Russell 3000 / 40% BC Aggregate over a 5 year rolling period.

RISK PARITY RISK EXPOSURES AND RISK MITIGATION:

Risk parity managers utilize leverage in order to enhance returns. Moderate leverage may be utilized and the portfolio managers should avoid strategies that might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250 to 350%. In addition, the risk parity portfolio shall consist of a portfolio of generally liquid trading instruments.

Counterparties for Over the Counter (OTC) derivatives must either (1) have a long-term rating from Standard & Poor’s of at least A- or from Moody’s of at least A3 or (2) be approved by the manager’s counterparty committee. In the event that the OTC derivative counterparty is an unrated affiliate whose performance is unconditionally guaranteed by the parent company, the parent’s credit rating shall apply.

<b>ASSET CLASS</b>	<b>BENCHMARK INDEX</b>
<b>Risk Parity</b>	<b>60% Russell 3000 / 40% BC Aggregate</b>

**14.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING**

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, 1, 3, and 5 year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;

- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three-and-five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

## **15.0 ANNUAL INVESTMENT STRATEGY**

Annually, the Board/staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the fund's actual investment performance for the prior fiscal year against the investment objectives set forth in **Section 4** and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance;
- (c) Evaluate and review the total fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- (e) Evaluate and review the portfolio rebalancing activity for the year;
- (f) Evaluate the fund's liquidity requirements for the current and next fiscal years.
- (g) Compare each investment manager's fees to their respective peer universe.

## **16.0 PROXY VOTING**

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

- A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement fund be subordinated to any other interest.
- B. The Board intends that its proxies be voted in accordance with its Sustainability / Corporate Governances Beliefs stated in **Section 5.0** Investment Philosophy.
- C. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.



## 17.0 SECURITIES LENDING

*SamCERA* instituted a securities lending program effective July 1, 2007, for the actively managed component of the portfolio. The Board's standards with respect to this program are hereby summarized below.

A. Pursuant to **Section 3E**, the master custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

C. Unless otherwise specified in the agreement(s):

(i) All loans shall be marked-to-market daily,

(ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities,

(iii) Acceptable collateral shall be in the form of cash or marketable fixed income securities with maturities not greater than one year, including (1) Commercial Paper with quality ratings of P-1 and/or A-1 by Moody's Investors Services or Standard & Poor's Corporation, or their equivalents; (2) Banker's acceptances, certificates of deposits and time deposits; (3) United States Treasury and Government Agency short-term obligations; (4) Repurchase Agreements with United States Treasury Securities and Agencies of the United States Government as collateral; and (5) Money market or short-term investment funds.

(iv) If rated, borrowers shall be rated AA, Aa or higher by Moodys or Standard & Poors.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

## **APPENDIX A**

### **SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION Investment Committee Charter as Amended RESOLUTION 99-00-09**

*This Resolution, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Charter for the Board's Investment Committee.*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

*Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:*

*(a) The retirement board shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.*

*(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.*

*(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.*

*(d) The members of the retirement board...shall diversify the investments of the system so as to*

*minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.*

*(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the system . ; &*

**WHEREAS**, California Government Code §31595 states, as follows:

*The Board has exclusive control of the investment of the employees' retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &*

**WHEREAS**, *The Board of Retirement*, wishes to exercise these powers as follows:

**EXERCISE OF POWERS:** *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

**WHEREAS**, the Board has adopted *SamCERA's Investment Policy* and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of *SamCERA's Investment Policy*. Therefore, be it

**RESOLVED** that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of *SamCERA's Investment Policy*, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
  - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
  - 2.1 Establish allowable asset classes
  - 2.2 Determine asset class benchmarks
  - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
  - 3.1 Define risk, return and correlation
  - 3.2 Evaluate mean variance optimization
  - 3.3 Determine low risk alternatives and high risk alternatives
  - 3.4 Scale portfolios between two extremes
  - 3.5 Evaluate optimized efficient frontier
  - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
  - 4.1 Assess risk/reward trade-offs
  - 4.2 Assess contribution rate sensitivity & variability
  - 4.3 Assess ability to exceed actuarial interest rate
  - 4.4 Assess comfort level with characteristics of specific asset mixes

- 5.0 RECOMMEND PREFERRED ASSET MIX
  - 5.1 Evaluate differences from current target
  - 5.2 Evaluate Board's willingness to implement new target asset mix
  - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO *SAMCERA'S INVESTMENT POLICY*
  - 6.1 Adjust target asset mix
  - 6.2 Introduce new benchmarks
  - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
  - 7.1 Adjust manager/style line-up as necessary
  - 7.2 Introduce new managers/asset classes
  - 7.3 Terminate managers/asset classes as necessary
  - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
  - 8.1 Recommend time-line & approach to revise structure
  - 8.2 Conduct manager evaluations
  - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
  - 9.1 Monitor results of managers both gross and net of investment management fees
  - 9.2 Assess consistency of portfolio decision making
  - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
  - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
  - 10.2 Define and assign special projects as warranted
  - 10.3 Monitor performance of Investment Consultant(s)
  - 10.4 Conduct evaluations of Investment Consultant(s)
  - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

**RESOLVED** that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

**RESOLVED** that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

**RESOLVED** that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

**RESOLVED** that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

## APPENDIX B

### Derivatives Investment Policy

#### 1) Introduction

There is a genuine need to allow *SamCERA's separate account* managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows *SamCERA's separate account* investment managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

#### 2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities

#### 3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provision must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by ~~*SamCERA's Investment Plan*~~ this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy investment process?

#### 4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of *SamCERA's* guidelines.

#### 5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction--the counter-parties to the trade. Due to the possibility of counter-party default, *SamCERA's* investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings

f) Other fundamental investment and risk characteristics.

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances.

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances.

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

## 6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with *SamCERA's* overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy and *SamCERA's* investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by *SamCERA's Investment Policy*. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of *SamCERA's* guidelines, this purpose should be proposed in writing to the Board.

## 7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above section entitled Approach to Policy, the following guidelines have been established:

***Allowable derivative investments***

- a. Stable and well-structured mortgage CMO's (collateralized mortgage obligations)
- b. Financial futures (if exchange traded)
- c. Currency forward contracts and currency options (exchange and OTC traded)
- d. Interest rate swaps



### ***Derivative investments with allocation limits***

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if exchange traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments
- ~~d.~~ e. **Credit Default Swaps (CDS)**

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for *SamCERA*. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints and communicate the assumptions and model used to estimate VAR (Value at Risk and/or other reasonable risk measurement procedures) annually to the Boards.

### **Restricted derivative investments**

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in *SamCERA's* separate account portfolios at any time.

## **8) Risk Analysis and Monitoring of Derivatives**

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors are as follows:

- a. Extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to *SamCERA* on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

## **9) Derivative Investment Process**

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above.

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.

- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

#### **10) Reporting Requirements**

It is the responsibility of *SamCERA's* investment managers to certify and demonstrate that their portfolios are in compliance with *SamCERA's* overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), *SamCERA's* investment managers will provide the following minimum monitoring information on all derivative securities.

- a. A general statement from the manager that his/her portfolio is in compliance with this he Retirement Trust's derivatives policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk--an evaluation of potential counter-party default on obligations, market risk--percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

## ***APPENDIX C***

### **DUE DILIGENCE POLICY**

#### **MANUAL**

#### **POLICY**

*SamCERA's* due diligence process requires (i) staff to perform on-going due diligence monitoring, (ii) investment consultants and managers to make regularly scheduled due diligence presentations to staff in *SamCERA's* offices, and (iii) staff and available Board members to make on-site visitations to the investment consultant's and investment managers' offices on an as-needed basis.

#### **PURPOSE**

To discharge the fiduciary responsibilities of the Board and staff, regular due diligence with the San Mateo County Employees' Retirement Association investment managers are essential to the Board's ability to effectively monitor the performance of its investment professionals and to the prudent discharge of the board's fiduciary duty to the beneficiaries of this multi-billion dollar retirement system.

#### **F.01 – Due Diligence Monitoring**

Individual investment managers will be monitored monthly, quarterly and annually. The managers' organizations and operations will be qualitatively monitored on a continual basis.

The Chief Investment Officer, with assistance from the investment consultant, will present an investment performance report to the Board on a quarterly basis, **as specified in Section 15.0 *Quarterly Investment Performance Reporting***. Performance will be measured for the total portfolio as well as individual components such as equities, fixed income and real estate portfolios. In addition, the performance of each component will be broken down into individual portfolios.

Comparisons will be made against market indices defined in this document. A variance from the stated performance objective will be calculated each quarter. Additionally, the portfolios' actual investment approach will be monitored against the required investment style to determine whether the manager is adhering to its acknowledged investment style.

The quarterly investment performance report will compare the total fund, each asset class and individual portfolio return to appropriate market indices and a representative peer group of similar funds or similar style investment managers. The report will note significant changes in the attribution of investment manager performance.

Annually, staff will request and review the Investment Manager's ADV Part II form and inform the board of significant changes in the firm or apparent conflicts of interest. In addition staff will request an annual insurance certification from each professional service provider. Where appropriate a Statement of Auditing Standards #70 will be obtained and reviewed.

## **F.02 – Due Diligence Presentations**

Investment consultants and investment managers that are under contract with the Board to provide services will make a presentation to staff at least once a year. The presentation shall include, but not be limited to, an update on the manager's organization and business plan, changes to the investment process and investment performance. Staff may request presentations more frequently as circumstances demand. The investment managers will provide on a semi-annual basis a completed Compliance Certification Statement and in-depth response to a list of questions submitted by staff.

## **F.03 – Asset Categories**

On-site meetings will be grouped by asset categories. This approach enables staff to readily compare and contrast investment approaches, systems, and controls utilized by the investment managers. It will also allow for a better evaluation of the existing asset diversification.

## **F.04 – Manager Selection Due Diligence**

The Board, with the assistance of staff and the investment consultant, select investment managers to manage the assets of the system. The Board authorizes staff and consultant to initiate a search for a manager either to replace a manager or to fill a new mandate approved by the Board. The investment consultant and staff will conduct the search in accordance with criteria established for the search. The search criteria will include the scope of the mandate, the investment style, benchmark, and the minimum qualifications for candidates. When appropriate to better understand an investment strategy, staff, investment consultant, and available Board members~~The investment consultant and staff may~~will perform on-site due diligence on the final candidate prior to signing the investment agreement.

The Board will require any public securities investment manager being considered as provider of professional services for *SamCERA* to make a formal presentation to it at a public Board meeting. The presentation shall include, but not be limited to, (i) manager's organization and its staff, (ii) investment philosophy and process, (iii) the resources available to provide the service, (iv) proposed fees and (iv) performance characteristics.

## *Appendix D*

### **DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS**

*Adopted by the Board of Retirement  
December 14, 2010. Amended January 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 violated 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 required 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.
  - 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.
3. 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.
  4. Representing and warranting the accuracy of the information described in section B.2 above.
  5. 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. , prior to acting as a Placement Agent to *SAMCERA* 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.
  6. *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 engagement.
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 January 7, 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 to manage a portfolio of securities or other assets for compensation; (2) a person who is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets and who offers or sells, or has offered or sold, securities to a board. (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, "**Placement Agent**" means any person hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager, or on behalf of another placement agent, who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale of the securities, assets, or services of an External Manager to a board or an Investment Vehicle, either directly or indirectly. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equity holder, 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.

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, constituting or 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.

**“Compensation”** means, for the purposes of this policy, remuneration and other benefits (including without limitation, favors) of any kind.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

April 29, 2014

Agenda Item 6.4 & C2

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer

**SUBJECT:** Discussion and Approval of Proposed Alternative Investment (to be heard in Closed Session, C2)

**Staff Recommendation**

Review the due diligence materials and approve this alternative investment opportunity.

**Background**

The Board has received a confidential due diligence report concerning an alternative investment opportunity. The information contained in this report is confidential pursuant to Government Code section 6254.26.

**Discussion**

The investment would offer the opportunity to participate in a strategy that provides late stage mine project finance debt to emerging mining and metals companies to finance project development.

John Nicolini from SIS will present this agenda item, including an oral review of the strategy and investment process.

**Attachments**

- A. *Recommendation of Alternative Investment Opportunity*
- B. *Presentation Book on Alternative Investment Opportunity*

Agenda Item 6.4, C2

**CONFIDENTIAL**

**ALTERNATIVE INVESTMENTS  
RECORDS**

**EXEMPTION FROM PUBLIC  
DISCLOSURE**

Discussion and Approval of Proposed  
Alternative Investment Policy

*Confidential*

*Under Gov. Code §54956.81 and §6254.2*

**DO NOT DUPLICATE  
DO NOT DISTRIBUTE**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

April 29, 2014

Agenda Item 7.1

To: Board of Retirement

From: Mabel Wong, Finance Officer



Subject: Discussion and Approval of the SamCERA 2014-15 Budget

**Staff Recommendation:**

Approve SamCERA's 2014-2015 Professional, Administrative, and Technology Budgets.

**Background:**

SamCERA's budget consists of three components, a professional services budget authorized by Government Code §31596.1, an administrative budget and a technology budget, both authorized by Government Code §31580.2.

SamCERA's Professional Services Budget – Attachment I provides an overview of the professional services budget. Investment management fees are driven by contractual agreements and based on total assets under management. These fees are budgeted using the following methodology. The portfolio growth is projected at the CAPM rate then the negotiated management fee is applied on an annualized basis. Fees for the actuarial services, investment consulting services and global custodian services are based on per-service and/or per-retainer as detailed in the contractual agreements. The professional services budget appears on pages 3-5.

SamCERA's Administrative Budget – Attachment II provides a summary of the administrative budget. Government Code Section 31580.2 of the County Employees Retirement Law of 1937 limits SamCERA's administrative budget to twenty-one hundredths of 1 percent (0.21%) or 21 basis points (bps) of the total accrued actuarial liability of the retirement system. This year's proposed administrative budget is \$5,748,500, 16.09 bps based on the beginning accrued actuarial liability of \$3.573 billion as of June 30, 2013, as determined by the system's actuarial firm, Milliman.

The budget consists of three major categories. The first is staff salaries and benefits. Totals in this category represent compensation and benefits for individual job classifications, including those that have been negotiated through various bargaining units. The next category is services and supplies. This category is comprised of various line items covering administrative overhead. Details of the line items are provided later in this document. The final category is capital assets. SamCERA's policy is to expense capital assets in the current year whenever possible. There are no monies appropriated for capital assets in the administrative budget.

It should be noted the administrative budget is slightly higher than the current year budget, with a \$215,460 net increase, or 3.89%, mostly due to the cost of the amended office lease for existing space and additional space for the implementation of pension administration software system. Salaries and benefits increase by 1.5% mostly due to higher employer contribution rate for retirement. There are some savings on printing cost from designing and printing member booklets in-house. There is a slight increase of 2.6% in County services from the current year. Details of the administrative budget are shown on pages 6-10.

SamCERA's Technology Budget – Attachment III provides a summary of the technology budget. Government Code §31580.2(b) governs the budgeting of monies to manage the association's assets. The proposed Technology budget includes all software, hardware, and related consultant fees for projects. As in past practice, we have included the entire cost of most of the projects that are scheduled to begin in FY 2014-2015 for disclosure; the completion of some of these projects may extend beyond FY 2014-2015. The exception to this practice is the PASS project, which will take more than three years to implement; only the projected cost within FY2014-2015 is budgeted.

The proposed technology budget is \$5,061,150, an increase of 51% over the current year's budget based on updated project estimates. The kick-off meeting for the Pension Administration Software System is schedule early May. Phase I of the Electronic Content Management project for Benefits division has been completed, Phase II for Investments,

Finance, and Board services may begin in calendar year 2015. A detailed line items budget is provided in the following pages. It should be noted that there is no longer a legislative limit on the technology budget. Additional information for the technology budget is shown on page 11.

**SamCERA's PROFESSIONAL SERVICES BUDGET (GC§31596.1):**

SamCERA prepares a professional services budget annually for review by the Board. The professional services budget is utilized by the Board to assess, meet and monitor its contractual obligations related to the management of the association. The expenditure authority for each professional services contract is set forth in the terms of the individual contracts. GC§31596.1 authorizes the board to expend funds from the investment earnings of the fund for specific professional services.

Professional Services expenses include investment management, investment consulting, global custody, actuarial and contract legal.

The Board of Retirement employs professional investment managers to maximize the return on assets and minimize risk. Investment management fees are primarily dependent upon the market value of the assets under management and the negotiated fee schedule of the individual investment management agreements (IMA). They are performance driven to the extent that, as market values increase so do management fees. The converse relationship is also true.

Other professional services expenses related to investments are driven by contractual agreement.

Although investment fees are netted from investment income for financial reporting purposes, they are reflected at gross for budgetary purposes.

Investment management expenses are budgeted to increase at the same rate as projected annual market values. The accrual basis of accounting is used to record professional expenses for budget and financial statement purposes.

SamCERA's average annual investment fees compared to average invested assets, are approximately 50.0 basis points.

Performance of the investment managers is reviewed monthly and quarterly by the combined efforts of the investment consultant, the Chief Investment Officer and the board.

Professional service expenses are reviewed quarterly to verify conformance with the respective contracts.

PROFESSIONAL SERVICES BUDGET: Government Code §31596.1 states that, "*The expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:*

- (a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.*
- (b) The compensation of any bank or trust company performing custodial services.*
- (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.*
- (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.*
- (e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."*

The Board has entered into the following professional contracts pursuant to §31596.1 and investment managers as shown on the following page.

Attachment I - Professional Fees Budget FY14-15

Contractor	Service	Fee (1)	Quarterly Projected	
			Expense	2014-2015 Estimate
Milliman	Actuarial Consulting	.3 bps	29,250	117,000
Segal	Actuarial Audit	0.3	22,500	90,000
Strategic Investment Solutions	Investment Consulting	1.2	100,000	400,000
Northern Trust	Global Custody	1.0	87,500	350,000
State Street	Custodial Transition Fee	(3)	50,000	50,000
<b>SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES</b>			<b>289,250</b>	<b>1,007,000</b>
<i>Estimated Market Value 06-30-2015</i>			<b>\$3.4 Billion</b>	<b>\$3.4 Billion</b>
Average Basis Points (2)			3.0	3.0

(1) The Actuary, Custodian, and Investment Consultant are compensated on a flat fee basis. Fees on this schedule are expressed in basis points (or fractions thereof) and utilize total assets while the Investment Manager calculations utilize assets under management.

(2) The calculation utilizes an average market value of \$3.384 million.

(3) Custodial Transition Project to be completed in Q1 FY15

Contract Fee Budget Schedule for Investment Managers - FY14-15

Contractor	Service	Fee (1)	Quarterly Projected	
			Expense	2014-2015 Estimate
BlackRock - S&P 500 Index Fund	Domestic Large Cap Equity	2.3 bps	32,500	130,000
D.E. Shaw Investment Management, LLC	Domestic Large Cap Enhanced	49.1	187,500	750,000
Barrow, Hanley, Mewhinney & Strauss	Domestic Large Cap Value	45.2	175,000	700,000
Brown Advisory	Domestic Large Cap Growth	44.4	168,750	675,000
The Boston Company	Domestic Small Cap Equity	84.0	275,000	1,100,000
Chartwell Investment Partners	Domestic Small Cap Equity	74.5	250,000	1,000,000
Baillie Gifford	International Equity	46.4	231,250	925,000
Eaton Vance - Parametric	International Equity	105.5	170,000	680,000
Mondrian Investment Partners	International Equity	39.7	112,500	450,000
Pyramis International	International Equity	90.7	156,250	625,000
BlackRock EAFE	International Equity	6.0	21,500	86,000
Pyramis Global Advisors	Domestic Fixed Income	14.9	66,250	265,000
Western Asset Management	Domestic Fixed Income	26.8	87,500	350,000
Angelo Gordon (STAR)	Domestic Fixed Income	128.5	130,000	520,000
Angelo Gordon (OWL)	Domestic Fixed Income	100.0	62,500	250,000
Brigade Capital Management	Domestic Fixed Income	69.6	120,000	480,000
Brown Brothers Harriman	Domestic Fixed Income	15.0	31,250	125,000
Franklin Templeton	Global Fixed Income	37.1	125,000	500,000
ABRY ASF II	Private Equity	N/A	100,000	400,000
ABRY Partners VII	Private Equity	N/A	50,000	200,000
Cevian Capital	Private Equity	N/A	125,000	500,000
Emergence Capital	Private Equity	N/A	50,000	200,000
EnCap Investments	Private Equity	N/A	37,500	150,000
General Catalyst	Private Equity	N/A	62,500	250,000
Regiment Capital	Private Equity	N/A	75,000	300,000
New Enterprise Associates	Private Equity	N/A	31,250	125,000
Sycamore Partners	Private Equity	N/A	93,750	375,000
Sheridan Production Partners	Private Equity	N/A	75,000	300,000
Warburg Pincus	Private Equity	N/A	140,000	560,000
Third Rock Ventures III	Private Equity	N/A	62,500	250,000
Great Hill Partners	Private Equity	N/A	125,000	500,000
AQR Risk Parity	Risk Parity	30.7	150,000	600,000
AQR Delta Hedge Fund	Hedge Fund	48.1	270,000	1,080,000
SSGA- SSARIS Multisource Commodities	Commodities	60.8	143,750	575,000
INVESCO Realty Advisors	Real Estate Management	42.5	200,000	800,000
Clifton Group	Strategic Overlay	69.1	37,500	150,000
<b>SUB-TOTAL INVESTMENT MANAGERS</b>			<b>4,231,500</b>	<b>16,926,000</b>
Average Basis Points (1)			50.0	50.0
<b>SUB-TOTAL NON-INVESTMENT MANAGERS (FROM PREVIOUS PAGE)</b>			<b>289,250</b>	<b>1,007,000</b>
Average Basis Points (2)			1.8	1.8
<b>TOTAL ESTIMATED CONTRACT FEES</b>			<b>4,520,750</b>	<b>17,933,000</b>
<i>Estimated Market Value 6-30-2015</i>			<b>\$3.4 Billion</b>	<b>\$3.4 Billion</b>
Average Basis Points (2)			53.0	53.0

(1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.

(2) The calculation utilizes an average market value of \$3.384 million



## SamCERA's Administrative Budget

Summary by Category	Proposed Budget	Basis Point
Salaries & Benefits	\$ 4,129,491	
Services & Supplies	\$ 1,619,009	
Capital Assets	\$ -	
<b>Total</b>	<b>\$ 5,748,500</b>	<b>16.09 bps</b>

## SamCERA's Administrative Services Line Item Budget:

San Mateo County Employees' Retirement Association Proposed Fiscal Year 2014- 2015 Administrative Budget						
Expenditure Object	FY 2012-2013 Actual	FY 2013-2014 Adopted	FY 2013-2014 Actual FYTD	FY 2012-2013 Proj Year- End	FY 2014-2015 Proposed	% Change Budget Year/Year
Salaries	\$1,986,244	\$2,607,570	\$1,599,411	\$2,607,570	\$2,559,965	-1.83%
Benefits	\$1,142,867	1,460,933	927,221	1,460,933	1,569,526	7.43%
<b>Salaries &amp; Benefits</b>	<b>\$3,129,111</b>	<b>\$4,068,503</b>	<b>\$2,526,632</b>	<b>\$4,068,503</b>	<b>\$4,129,491</b>	<b>1.50%</b>
Board Expense	\$8,800	\$10,500	\$5,700	\$10,500	\$10,500	0.00%
Insurance (General & Fiduciary)	\$68,434	\$80,000	\$59,975	\$80,000	\$80,000	0.00%
Medical Record/Hearing Service	\$60,570	\$100,000	\$30,015	\$100,000	\$100,000	0.00%
Member Education	\$44,578	\$45,000	\$39,518	\$45,000	\$50,000	11.11%
Education & Conference	\$47,782	\$97,215	\$85,400	\$97,215	\$115,500	18.81%
Transportation & Lodging	\$64,492	\$177,750	\$60,181	\$177,750	\$183,280	3.11%
Property & Equipment	\$17,857	\$24,000	\$17,397	\$24,000	\$30,000	25.00%
General Office Supplies	\$20,355	\$33,500	\$21,626	\$33,500	\$38,500	14.93%
Postage & Printing	\$51,782	\$125,000	\$41,608	\$125,000	\$90,000	-28.00%
Leased Facilities	\$304,527	\$367,794	\$232,181	\$367,794	\$509,550	38.54%
County Services	\$355,802	\$358,278	\$262,952	\$358,278	\$316,179	-11.75%
Audit Services	\$63,236	\$45,500	\$26,854	\$45,500	\$45,500	0.00%
Other Administration	\$22,294	\$0	\$0	\$0	\$50,000	N/A
<b>Services &amp; Supplies</b>	<b>\$1,130,509</b>	<b>\$1,464,537</b>	<b>\$883,407</b>	<b>\$1,464,537</b>	<b>\$1,619,009</b>	<b>10.55%</b>
<b>Capital Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Grand Total</b>	<b>\$4,259,620</b>	<b>\$5,533,040</b>	<b>\$3,410,039</b>	<b>\$5,533,040</b>	<b>\$5,748,500</b>	<b>3.89%</b>

**SamCERA's Administrative Expenses (GC\$31580.2):**

Administrative Expense is estimated to be 16.08 bps during the fiscal year ending June 30, 2014 and is projected to be 16.09 bps in fiscal year 2014-2015. Both numbers are based on accrued actuarial liabilities as determined in the latest valuation of \$3.442 billion and \$3.573 billion respectively.

Administrative expenses represented 3.07% percent of the total disbursements of the association for the fiscal year ending June 30, 2013. The administrative expenses for fiscal year 2013-2014 are projected to be 3.3% of total disbursements. The fiscal year 2014-2015 proposed appropriation is estimated to remain at 3.4% of total disbursements.

The Board of Retirement reviews year-to-date actual expenses quarterly for budget compliance.

**Salaries & Benefits**

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015*
<b>Total Plan</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>22</b>
Benefits Section	9	9	9	9
Finance Section	4	4	4	4
Investment Section	2	2	2	3
Technology Section	2	3	3	3
Legal Section	1	1	1	1
Executive Section	2	2	2	2

\*The Salaries and Benefits appropriation cover the projected cost of the twenty-two full time employees and includes the cost of one full time positions anticipated to be added in FY 2014-2015. The new position will be investment related to support the increasingly complex investment portfolio structure; the classification will be determined by the job description.

The salaries and benefits appropriation also allows for projected overtime, work-out-of-class differential, and extra help hours that will be necessary to complete specific special projects throughout the fiscal year.

**Services and Supplies**

**Board Expense**

Government Code allows for a \$100 stipend per board and committee meeting for the four appointed members of the Board and the elected retired member and the elected retired member alternate.

**Insurance (General & Fiduciary)**

This category appropriates monies for SamCERA's general liability and fiduciary insurance. SamCERA engages Travelers as its current fiduciary insurance carrier.

**Medical Record and Hearing Officer Service**

This expenditure provides for the cost of referring a disability applicant to an independent medical examiner (IME) and paying the cost of obtaining medical records from non-responsive medical offices through the use of a medical

records collection service. Although staff believes 2012-2013 fiscal year's expenditure, the highest on record, is an aberration, it is recommended that the higher amount be apportioned this year.

This item also provides for hearing officer service after a member's service-connected disability application is denied by the Board. The member may appeal the Board decision through a hearing officer.

### **Member Education**

SamCERA's Strategic Plan calls for a member education program and based upon the results of member surveys, the membership has a strong desire to receive financial education that can meet the needs of early, mid-career and members near retirement. This budget item allows staff to continue with vendor, Financial Knowledge Network, which provides 'conflict free education' on a wide range of financial topics.

Benefits Staff will also update all member education materials, offering different avenues of receiving information, such as web-based retirement presentations and creating a retirement planning checklist for members.

### **Education & Conference**

SamCERA has an education policy, which stipulates that "all trustees and staff shall participate to the fullest extent possible in approved educational activities, and that each trustee and staff member shall be expected to complete at least three endorsed educational activities each year." Each year trustees and staff must submit for approval an educational request form. The approved form is used to estimate the costs related to the educational activities. The Board of Retirement may have up to two new trustees after July 1, 2013. The association wishes new trustees to become informed regarding retirement topics as soon as possible. Therefore, the Education Policy allows a new trustee to spend up to \$15,000 each of their first two years. The budget assumes each will spend their allotted amount. This line item includes annual membership fees and the cost of registering for conferences and seminars.

A revised Board Education policy is proposed for Board review and approval at this time. The revised policy allows 8 overnight education events for each trustee annually. It complies with new 1937 regulation for trustees education and simplifies arrangement of education events for trustees and staff.

### **Transportation & Lodging**

This line item is associated with SamCERA's Education Policy. In addition, SamCERA has in place a travel policy that governs the amount allowable for transportation and lodging.

### **Property & Equipment**

Monies in this line item are for photocopy lease and usage, office equipment and furniture. It also includes general electronics, computers, and the lifecycle of computer equipment.

### **General Office Supplies**

This category includes expenditures for the everyday supplies required to transact the association's business.

### **Postage & Printing**

The Communication Specialists has begun to standardize and redesign SamCERA's member publications. Appropriations in this category are used to publish and distribute member newsletters, member statements, the Comprehensive Annual Financial Statement (CAFR) and the Popular Annual Financial Statement (PAFR) throughout the fiscal year. Monies are set aside for distribution of board packets.

### **Leased Facilities**

SamCERA signed a lease amendment to extend the current office and boardroom space for 5 years through 12/31/2019, the amendment also added additional space for 3 years for implementation of the PASS project.

### **County Services**

SamCERA purchases certain services from the County of San Mateo. The costs of those services are listed as line items, which appear below.

<b>County Services</b>	<b>FY 12-13 Actual</b>	<b>FY13-14 Adopted</b>	<b>FY13-14 FYTD</b>	<b>FY13-14 Projected</b>	<b>FY14-15 Proposed</b>	<b>Percentage Change Year/Year</b>
Information Services Dept.	\$113,408	\$81,306	\$81,306	\$81,306	\$78,550	-3.39%
Human Resources	\$109,869	\$118,067	\$118,067	\$118,067	124,824	5.72%
County Counsel	\$25,000	\$25,000	\$25,000	\$25,000	\$50,000	100%
Controller's Office	\$79,924	\$56,231	\$56,231	\$56,231	\$53,630	-4.62%
Dept. of Hospitals & Clinics	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	0%
Elections Office	\$2,808	\$2,000	\$2,000	\$2,000	\$8,500	325%
Sheriff's Office	\$324	\$674	\$674	\$674	\$674	0%
<b>Total</b>	<b>\$316,102</b>	<b>\$303,278</b>	<b>\$303,278</b>	<b>\$303,278</b>	<b>\$316,179</b>	<b>2.56%</b>

### **Audit Services**

SamCERA has a three-year not to exceed contract in place with the Board's external auditor, Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, a Certified Public Accounting firm hired to perform an audit of SamCERA's financial statements.

### **Other Administration**

SamCERA received a favorable status from its 2011 IRS application of tax determination letter in January 2014. SamCERA will need to re-apply with IRS by the end of January 2016. This appropriation sets aside up to \$50,000 to prepare for the next application project.

### **Capital Assets**

**Capital Assets Policy:** The provisions of this policy apply to assets costing \$5,000 or more with useful lives of three or more years. Capital Assets are recorded at historic cost. Depreciation expense is calculated using the straight-line method over the estimated life of the assets. Depreciation is pro-rated for the year the asset is acquired, and in the last year of the asset's useful life. A full year's depreciation is taken in all other years.

Association plans for projects requiring the purchase of Capital Assets are incorporated into the administrative budget process, and are subject to budgetary review and approval.

Because of the limited amount of property and equipment owned by the Association, a capital asset ledger maintains inventory of these types of assets. Accordingly, designation as a capital asset simply affords internal administrative and accounting controls over the assets in question. Practically speaking, the Association's capital assets consist only of computers and software. Even major scheduled replacements, such as those proposed for 2012-2013 and later years, have no material impact on current or future year's operations. Were it not for the internal administration and accounting controls provided by capitalization, these expenditures would routinely be budgeted, and accounted for, as repair and maintenance or supply type of expenditures.

**Capital Assets Appropriations:** Staff does not anticipate a need for capital expenditures in the 2014/2015 administrative budget.

## SamCERA's Technology Budget

Summary by Category	Proposed Budget	Basis Point
Salaries & Benefits		
Services & Supplies	\$ 1,561,150	
Capital Assets	\$ 3,500,000	
Total	\$ 5,061,150	14.16 bps

## SamCERA's Technology Line Item Budget:

San Mateo County Employees' Retirement Association Proposed Fiscal Year 2014- 2015 Technology Budget						
	FY 2012-2013	FY 2013-2014	FY 2013-2014	FY 2013-2014	FY 2014-2015	% Change
Expenditure by Category	Actual	Adopted	Actual FYTD	Proj Year-End	Proposed	Budget Year/Year
Property & Equipment	\$ 22,983	\$ 78,000	\$ 3,963	\$ 78,000	\$ 53,000	-32.05%
Software License & Maintenance	\$ -	\$ -	\$ -	\$ -	\$ 354,700	N/A
Electronic Content Management	\$ -	\$ -	\$ -		\$ 500,000	N/A
Technology Infrastructure	\$ 631,583	\$2,073,200	\$ 552,456	\$2,073,200	\$ 246,450	-88.11%
Professional Contract Service	\$ -	\$ -	\$ -	\$ -	\$ 407,000	N/A
Capital Asset (PASS)	\$ -	\$1,200,000	\$ -	\$ -	\$3,500,000	N/A
<b>Grand Total</b>	<b>\$ 654,566</b>	<b>\$3,351,200</b>	<b>\$556,419</b>	<b>\$2,151,200</b>	<b>\$5,061,150</b>	<b>51.03%</b>

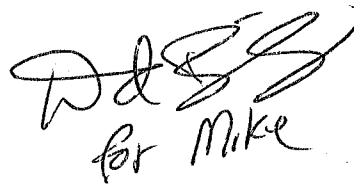
**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

April 29, 2014

Agenda Item 7.2

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer



**SUBJECT:** Approve a Resolution Authorizing the Chief Executive Officer to Execute Agreements with the Northern Trust Company for Global Custody Services and Securities Lending

**Staff Recommendation**

Approve a resolution authorizing the Chief Executive Officer to execute an agreement or agreements with the Northern Trust Company in an amount not to exceed \$2 million and applicable lending fees for global custody services and securities lending.

**Background**

SamCERA developed and issued a Request for Proposal (RFP) for global custody services and securities lending on January 8, 2014. The RFP solicited proposals from custodian banks to provide services that include, but are not limited to asset safekeeping, accounting, securities settlement, cash management, corporate actions, class actions and proxy processing, securities lending, performance and risk analytics, and miscellaneous system queries and reporting requirements.

SamCERA received responses from our incumbent provider, State Street, along with BNY Mellon and Northern Trust. An Evaluation Committee comprised of Michael Coultrip, CIO; Scott Hood, Assistant Executive Officer; Mabel Wong, Finance Manager; and Chezelle Milan, Senior Accountant; reviewed their RFP responses and focused on the following evaluation criteria: Organization, Accounting, Cash Management, Securities Lending, Performance/Risk, and Fees. After assessing the written responses, the Committee invited all three proposers to present their capabilities on-site at SamCERA. Each proposer was allocated three hours each, with each presenting a demonstration of their on-line interface program. In addition, all three proposers were sent a number of clarifying questions which they all responded to before the meetings at SamCERA. The last stage of the process was to issue a request to each proposer for their best and final fee proposal.

**Discussion**

After thoroughly reviewing the above information, the Evaluation Committee recommended to the CEO to enter into contract negotiations and further due diligence with Northern Trust for custodial and securities lending services. While all three proposers offered compelling attributes, the Committee decided to recommend Northern Trust for further due diligence for the following primary reasons:

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

- Their capabilities are a better fit for SamCERA's current needs while allowing for longer-term flexibility as SamCERA's needs change through time.
- Client focus is squarely in the small/mid-size plan area, consistent with SamCERA's size.
- Strong client-service focus throughout the organization.
- Attractive value proposition-to-price ratio.

The CEO notified the Board of Retirement of the decision to negotiate with Northern Trust Company by email on April 3, 2014. Contract negotiations are ongoing and should conclude soon. It is anticipated that the resulting agreements will be for approximately \$400,000 per year and applicable lending fees, and will be for a term of five years.

The anticipated contract start date for Northern Trust will be July 1, 2014, which is the beginning of the new fiscal year. Our incumbent provider, State Street, will close out the reporting for the current fiscal year ending June 30, 2014. As a result, it is anticipated that our current contract with State Street will be extended to September 30, 2014, to allow for them to effectively finish their fiscal year-end reporting for SamCERA.

**Attachment**

- A. *Resolution Authorizing Chief Executive Officer to Execute an Agreement with the Northern Trust Company for Global Custody Services and Securities Lending*



RESOLUTION 13-14-\_\_

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE AGREEMENTS WITH  
THE NORTHERN TRUST COMPANY  
FOR GLOBAL CUSTODY SERVICES AND SECURITIES LENDING**

**WHEREAS**, Article XVI, Section 17 of the California Constitution vests with the Board the sole and exclusive fiduciary responsibility over the assets of SamCERA; and

**WHEREAS**, in accordance with the provisions of Article XVI, Section 17 of the California Constitution and California Government Code Section 31596(b), SamCERA, with the approval of its Board, may employ a depository institution or a trust company, licensed under state or federal law to conduct the business of a trust company or any Federal Reserve Bank, to act as custodian of any securities or other properties beneficially owned by SamCERA

**WHEREAS**, Staff issued a request for proposals ("RFP") for custodial services and as a result of that process determined that it was in SamCERA's best interest to enter into a contract with Northern Trust Company; and

**WHEREAS**, Northern Trust Company, in response to the RFP, has represented to SamCERA that it is qualified to serve as a custodian and that it shall perform all actions undertaken with the standard of care as set forth in an agreement; and

**WHEREAS**, Northern Trust Company Custodian is a trust company duly constituted in accordance with all applicable federal and state laws of Illinois to render banking and trust custodial services and is authorized to conduct the business of a trust company; and

**WHEREAS**, Staff has not completed the negotiation for the final agreements for global custody services and securities lending but estimates that the resulting agreements will be in an amount not to exceed \$2 million and applicable lending fees and will be for a term of five years; and

**WHEREAS**, this Board has determined that it is in the best interest of SamCERA to enter into these agreements with the Northern Trust Company; therefore, be it

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

**RESOLVED**, that the Chief Executive Officer is hereby authorized to execute an agreement or agreements with the Northern Trust Company in an amount not to exceed \$2 million and applicable lending fees for global custody services and securities lending. Be it further

**RESOLVED**, that the Chief Executive Officer is hereby authorized and directed to execute subsequent amendments and minor modifications in an amount not to exceed \$25,000 in the aggregate.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

April 29, 2014

Agenda Item 7.3

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer



**SUBJECT:** Approval of Resolution Revising the Board's Education Policy

**Staff Recommendation**

Approve a resolution amending the Board's Education Policy.

**Summary**

Three changes are recommended to the Education Policy:

1. At its March meeting, the Board discussed staff's recommendation to transition from the Board's current Education Policy, which places fiscal-year dollar limits for education per Board member, to a cost containing methodology that instead limits the number of educational events requiring an overnight stay to eight per fiscal year. The Board directed staff to bring back a proposed amendment for its consideration reflecting this change.
2. At a prior meeting, the Board discussed accompanying staff to onsite visits to potential or existing SamCERA service providers. Language is added to define these educational visits.
3. To make the policy more user friendly, it has been reformatted. Most importantly, the names of approved education providers now appear in a list.

**Background:**

Due to the proliferation of investment products and the increasing complexity of our fund, ongoing education for both trustees and staff is more important than ever. Consistent with the Board's fiduciary duties, however, the Board wants this education to be received in a cost-effective manner and, to that end, the Board's Travel and Education policies together: (1) limit annual expenditures and (2) limit the reimbursement of travel expenses.

As discussed at the March meeting, the individual annual budget limit for trustee travel at times creates a conflict between SamCERA's budget methods and the effectiveness of the limitation. If a trustee books an event in one fiscal year, but the event is to take place in the following fiscal year, the trustee's budget must be charged during the fiscal year in which the booking is made. Thus, a trustee may reach their budget limit for a fiscal year, even though the actual educational event has not taken place.

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**Board of Retirement**

**Discussion:**

Pursuant to the Board's direction, Section 2(A) of the proposed amended Education Policy reads:

**A. Limit for Attendance at Overnight Out-Of-Bay Area Educational Events.**

The Board desires that Board member education be obtained in a cost efficient manner and, as such, every Board member is authorized to attend up to eight (8) approved out-of-Bay Area educational events requiring overnight stays per fiscal year. Travel expenses incurred by a Board member for these eight approved events are subject to reimbursement by SamCERA in accordance with this policy. Any international travel by a Board member must be placed on the Board's regular agenda for the Board's pre-approval. Costs for attendance at educational events that are not consistent with this policy will not be subject to reimbursement without Board approval.

If adopted, the amended Education Policy would not limit trustee attendance at educational events within the Bay Area, or any such events that do not require an overnight stay. Board members would sign up for these events on their own. Reimbursement for attendance at these events would be covered by other parts of the SamCERA policies.

By removing the budget limit and substituting a number of overnight educational events, this policy change would simplify the determination of how many events a trustee can attend. Attendance at CALAPRS and SACRS events would count toward the limit. However, in looking at the current fiscal year, no trustee or new trustee will likely hit the eight-event limit, even when counting CALAPRS and SACRS events.

As the Board is aware, the Education Policy addresses other cost-effective manners through which to obtain Board member education, such as watching recordings of conferences in lieu of attendance, reading financial periodicals, and receiving education from consultants and SamCERA staff. The amended policy adds another category of alternative education which is "onsite visits" to a potential or existing investment consultant, manager or other SamCERA provider. This addition reflects earlier discussions with the Board and recognizes that there is an educational component to accompanying staff to an onsite visit. While the Board member would not be performing the "due diligence," which it has delegated to staff, the Board member would be receiving education in the topics covered on the onsite visit. Newly added section 2 (E) reads:

- E. Education from Onsite Visits.** A Board member may count up to three hours toward his or her biannual education requirement by accompanying staff on an onsite visit to a potential or existing investment consultant, manager or other SamCERA provider. Visits outside of the Bay Area requiring an overnight stay will count as an approved trip in accordance with Section 2 (A).

Finally, staff has reorganized the policy to make it easier for the Board and staff to use. Other than minor language cleanup, no changes beyond those noted above have been

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

made. Because track changes would not be helpful in this case, staff will bring a cross reference between the old and new policy to the meeting to address any concerns regarding the reorganization.

Attachment: Resolution revising the Board of Retirement's Education Policy.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 13-14-\_\_\_

**RESOLUTION REVISING THE BOARD OF RETIREMENT'S  
EDUCATION POLICY**

**WHEREAS**, Government Code §31520 vests the management of *SamCERA* in the Board; and

**WHEREAS**, the Board acknowledges the vital importance of making informed judgments on all matters which come before it and has adopted a *Code of Fiduciary Conduct* and an *Educational Policy* to guide its actions; and

**WHEREAS**, Government Code §31522.8, requires that the Board's Education Policy set forth a minimum number of required hours of requisite training and that policy provides that all Board members receive a minimum of 24 hours of board member education within the first two years of assuming office and for every subsequent two-year period the Board member continues to hold membership on the Board; and

**WHEREAS**, Consistent with its fiduciary duties, the Board wishes to encourage Board members and staff to receive education in a cost-effective in the manner; and

**WHEREAS**, the Board desires that its Education Policy be set forth in a manner that it is easy to refer to and use; and

**WHEREAS**, the Board has reviewed the proposed amendments to the Education Policy and believes that such amendments are in the best interest of the Board and SamCERA;

Now, therefore, be it

**RESOLVED**, that the Board of Retirement hereby approves the attached revised Board of Retirement Education Policy.

**BOARD EDUCATION POLICY**

**SECTION 1. BOARD MEMBER EDUCATION IS REQUIRED**

- A. **Fiduciary Duty.** Consistent with the Board's fiduciary responsibility to discharge their duties with respect to the system with care, skill, prudence, and diligence, the Board acknowledges the vital importance of making informed judgments on all matters which come before it and has determined that educational activities help provide the Board with knowledge and skills to make such informed decisions.
- B. **Minimum Required Hours of Training.** Each Board member shall receive a minimum of 24 hours of Board member education in the topics listed in Section 3 (A) within the first two years of assuming office and for every subsequent two-year period the Board member continues to hold membership, in accordance with Government Code §31522.8.
- C. **Posting of Policy and Board Member Compliance.** Staff shall maintain a record of Board member compliance with this policy and this policy and an annual report on Board member compliance will be posted on the Board's website which shall reflect the education completed for the prior fiscal year or calendar, depending upon when the Board member's term commences, in accordance with Government Code §31522.8.
- D. **Timely Report by Board Member of Educational Participation.** At the next regularly scheduled meeting of the Board following the Board member's participation in an educational activity, the Board member shall provide the Board with a summary oral report on the content of educational activities, including a recommendation regarding SamCERA's participation in future activities offered by the same sponsor.

**SECTION 2 COST EFFECTIVE EDUCATION**

- A. **Limit for Attendance at Overnight Out-Of-Bay Area Educational Events.** The Board desires that Board member education be obtained in a cost efficient manner and, as such, every Board member is authorized to attend up to eight (8) approved out-of-Bay Area educational events requiring overnight stays per fiscal year. Travel expenses incurred by a Board member for these eight approved events are subject to reimbursement by SamCERA in accordance with this policy. Any international travel by a Board member must be placed on the Board's regular agenda for the Board's pre-approval. Costs for attendance at educational events that are not consistent with this policy will not be subject to reimbursement without Board approval.
- B. **Education through Electronic Means.** The Board further encourages members to participate to the fullest extent possible in approved electronic delivery of educational opportunities.
- C. **Education Given By SamCERA Staff and Consultants.** Training provided by the Chief Executive Officer, Chief Investment Officer, Chief Legal Counsel, and other SamCERA staff, the Board's Medical Advisor, Actuary, Investment Consultant, Investment Managers shall satisfy the required education for the subject matters

presented at such training and the required educational hours for the length of the training.

- D. **Education from Publications.** A Board member may count up to three hours towards his or her biannual education requirement by reading Pensions & Investments, the Public Retirement Journal, and/or the Wall Street Journal.
- E. **Education from On Site Visits.** A Board member may count up to three hours towards his or her biannual education requirement by accompanying staff on an onsite visit to a potential or existing investment consultant, manager or other SamCERA provider. Visits outside of the Bay Area requiring an overnight stay will count as an approved trip in accordance with Section 2 (A).

### **SECTION 3. APPROVED EDUCATIONAL TOPIC AREAS AND PROGRAMS**

- A. **Educational Topic Areas.** In accordance with Government Code §31522.8, appropriate topics for Board member education, may include, but are not limited to, the following:
- (1) Fiduciary responsibilities
  - (2) Ethics
  - (3) Pension fund investments and investment program management
  - (4) Actuarial matters
  - (5) Pension funding
  - (6) Benefits administration
  - (7) Disability evaluation
  - (8) Fair hearings
  - (9) Pension fund governance
  - (10) New board member orientation
- B. **Approved Educational Programs and Activities.** A Board member's attendance at and/or viewing of recordings of one or more programs listed below shall satisfy the required education for the subject matters presented at such programs and the required educational hours for the length of the program.
- (1) State Association of County Retirement Systems (SACRS)
  - (2) California Association of Public Retirement Systems (CALAPRS)
  - (3) Government Finance Officers Association (GFOA)
  - (4) Institute for Fiduciary Education (IFE)
  - (5) International Foundation of Employee Benefit Plans (IFEBP)
  - (6) California Retired County Employees' Association
  - (7) Pacific Pension Institute (PPI)
  - (8) Pension Real Estate Association (PREA)
  - (9) Wharton program for pension fiduciaries
  - (10) CFA Institute
  - (11) Institute for International Research
  - (12) Public Pension Fund Forum
  - (13) Investors Press
  - (14) Investment Risk Institute
  - (15) Institutional Investor Institute
  - (16) Information Management
  - (17) Network Opal Financial Group



- (18) Frank Russell Company
- (19) Pension Bridge
- (20) National Conference of Public Employees Retirement Systems

C. **Recommended Education For New Trustees.** The recommended courses for new trustees to complete within their first three-year term are: (1) SACRS Fall or Spring Conference &/or CALAPRS General Assembly, (2) CALAPRS' Trustee Roundtables, (3) CALAPRS @ Stanford Principles of Pension Management, (4) SACRS Public Pensions Investment Management Program (5) IFEBP Certificates of Achievement in Public Plan Policy and (6) Wharton Pension Fund and Investment Management Program.

D. **Recommended Progression of Education.** It is recommended that Board members complete the programs listed in Section 3 (C) prior to participation in the following: Fiduciary Institute @ Stanford, IFEBP Public Funds Annual Conference, GFOA Annual Conference, Pension Real Estate Association Annual Conference and US-based programs of IFEBP & PPI.

#### **SECTION 4. EDUCATIONAL EXPENSES FOR STAFF**

The Chief Executive Officer is authorized to approve the participation and associated travel of the Chief Executive Officer and staff in educational activities to the extent that the Chief Executive Officer finds that such participation will contribute to the staff member's ability to perform her or his duties and the budget provides funds for such activities.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

April 29, 2014

Agenda Item 7.4

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer

**SUBJECT:** Discussion of SACRS Business Meeting Topics Including Final SACRS  
Nominating Committee Slate of Officer Candidates

**Staff Recommendation**

Discuss SACRS May 2014 Business Meetings topics including the "SACRS Board of Directors Elections 2014/2015 – Final Ballot" as shown in the attached memo from SACRS Nominating Committee Chair, Ray McCray.

**Background**

The SACRS Business Meeting will be held May 16, 2014, at the close of the Spring 2014 SACRS Conference. An election of SACRS Board of Directors Officers will take place at that meeting.

Staff is currently not aware of any other issues to be voted on at the meeting. If staff is notified of any issues before the April 29 SamCERA Board meeting, staff will inform the Board at that time.

It is important for the Board to discuss any issues that will come to a vote at SACRS in order to give the SamCERA Voting Delegate and Alternate a sense of the Board members' desires. Per SamCERA tradition, the Voting Delegate is only bound to vote in a manner the delegate considers to be in the best interests of SamCERA.

The SamCERA Voting Delegate for the Spring SACRS Business Meeting is Lauryn Agnew. The Board approved Ben Bowler as the First Alternate. However, Mr. Bowler will not be able to attend. David Bailey is the approved Second Alternate.

The Nominating Committee's recommended slate is:

President	Yves Chery, Elected Safety Trustee, Los Angeles CERA
Vice President	John Kelly, Appointed Trustee, Sacramento CERS
Treasurer	Dan McAllister, County Treasurer Trustee, San Diego CERA
Secretary	Zandra Cholmondeley, Elected Retired Trustee, Santa Barbara CERS

Per SACRS bylaws, the administrator of each 1937 Act system is required to provide this information to their trustees.

## SACRS MEMORANDUM

April 1, 2014

Attn: SACRS Administrators  
From: Raymond McCray, SACRS Nominating Committee Chair  
SACRS Nominating Committee  
Re: SACRS Board of Directors Elections 2014/2015 – Final Ballot

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Per SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office

“The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected.”

Per SACRS Bylaws, Article VI ~ Section 4 - Officer Elections

“...The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee’s final ballot provided the Nominating Committee receives those write-in candidates prior to March 25th. The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee’s recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee...”

Below is the final ballot/slate – As in the past, a voting delegate may entertain a motion to vote by individual officer positions or by complete ballot/slate. Please be sure to authorize your voting delegate to vote either way.

The elections will be held at the upcoming SACRS Spring Conference May 13 – 16, 2014 at the Sheraton Grand Sacramento Hotel, Sacramento, CA. Elections will be held during the Annual Business meeting on Friday, May 16, 2014.

Please distribute the ballot/slate to all standing/eligible board members for approval and authorization for your voting delegate. As stated above, Administrators are required to send acknowledgement of completion to our office at [sulema@sacrs.org](mailto:sulema@sacrs.org).

Continued

SACRS Nominating Committee Recommended 2014-2015 Slate:

President	Yves Chery, Los Angeles CERA
Vice President	John Kelly, Sacramento CERS
Treasurer	Dan McAllister, San Diego CERA
Secretary	Zandra Cholmondeley, Santa Barbara CERS

If you have any questions or require assistance, please contact me directly at 209-468-2163 or [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net). Thank you for your prompt attention to this timely matter.

Sincerely,

*Raymond McCray*

Raymond McCray, San Joaquin County  
SACRS Nominating Committee Chair

CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Administrator

RMC:shp

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

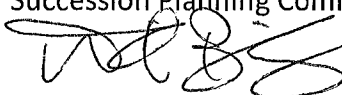
April 29, 2014

Agenda Item C3

**TO:** Board of Retirement



**FROM:** Paul Hackleman, Trustee, and Chair of Succession Planning Committee  
David Bailey, Chief Executive Officer



**SUBJECT:** Approval of Ideal Candidate Description for Chief Executive Officer  
Recruitment

**Recommendation**

The Succession Planning Committee recommends that the Board comment on, edit if desired and approve the attached "Ideal Candidate Description" for use in the recruitment of a new SamCERA Chief Executive Officer.

**Background**

The attached description was developed for use in the creation of materials to recruit candidates for the position of SamCERA CEO. The committee used the following information sources to draft the statement:

- Responses to the Annual CEO Performance Survey from all groups of respondents including SamCERA trustees, SamCERA non-management and management staff, employer leadership, and the current CEO.
- Discussions held by committee members with two county supervisors.

Lisa Yapching and Donna Vaillancourt of the County Human Resources Department drafted the description after discussions with the committee at its March 20 meeting. Committee members and the current CEO then reviewed the draft.

Discussions regarding the recruitment are still to be held between committee representatives and two SamCERA senior staff members. These discussions are to be completed before the April 29 board meeting. If any changes to the Ideal Candidate Statement come out of these meeting, a new draft statement will be brought to the Board on April 29.

**Attachment**

*Ideal Candidate Description, sent to Board members only under separate cover.*