

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

February 26, 2013

Agenda Item 3.0

January 22, 2013 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 10:00 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

- Disability Retirements
 - None
- Service Retirements
- Continuances
- Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Report recommending the rejection of portion of claim- Montisano (Non-culpable)
- Notice of SACRS Board of Directors Election Schedule and Rules
- California Fair Political Practices Commission (FPPC) Form 806, "Agency Report of Official Appointments."

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Approval of Cost of Living Adjustments

6. Investment Services

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Discussion of 130/30 Manager Universe Comparison
- 6.3 Discussion of Fixed Income Manager Structure
- 6.4 Presentation Regarding Overlay Management
- 6.5 Discussion on Proposed Changes to the Investment Policy

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Quarterly Budget Report
- 7.3 Approval of Topics for the Board – Staff Retreat
- 7.4 Approval of Resolution Amending the Interest Crediting Policy
- 7.5 Approval of Resolution Adopting Procedures for Assessment of Compensation
- 7.6 Report on Technology Modernization and Amendment of Agreement with LRWL
- 7.7 Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement with BCS Systems, Inc.

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

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CLOSED SESSION – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session.
- C2 Conference with Legal Counsel - Anticipated Litigation: Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9, One case.
- C3 Conference with Legal Counsel - Existing Litigation: Pursuant to subdivision (a) of Government Code Section 54956.9, *In re: Dendreon Corporation Class Action Litigation*, United States District Court Western District of Washington at Seattle, Master Docket No. C11-1291 JLR.

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

| | | |
|-------------------------|-------------------|------------------------------|
| Conlan, Gerlinde | November 1, 2012 | Environmental Health |
| Sack, Ruth | November 4, 2012 | Youth & Family Services |
| Robinson, Kathleen | November 10, 2012 | Library |
| Duncan, Marilyn | November 12, 2012 | Human Resources |
| Giannini, Louis | November 12, 2012 | Def'd. from DAO |
| Grant, Anna | November 16, 2012 | District Attorney's Office |
| Nunes, Edwin | November 19, 2012 | Road Maintenance |
| Thomas, Benjamin | November 20, 2012 | Data Processing |
| Sanz, George | November 25, 2012 | Ben. of Josephine Sanz |
| McCavitt, Loretta | November 25, 2012 | Ben. of Bernard McCavitt |
| Allen, Laura | November 28, 2012 | Human Services |
| Nevin, Michael | December 1, 2012 | Board of Supervisors |
| Blasser, William | December 3, 2012 | Sherriff's Dept. |
| Hamilton, Carolyn | December 3, 2012 | Public Services |
| Quesada, Charles | December 8, 2012 | Def'd. from General Services |
| Tyler, Mildred | December 13, 2012 | Social Services |
| Sales, Maria | December 14, 2012 | QDRO |
| De Benedetti, Elizabeth | December 23, 2012 | Controller's Office |

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January 22, 2013– Board Minutes

1301.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Ms. Sandie Arnott, Chair, called the Public Session of the Board of Retirement to order at 1:00 p.m.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello and Eric Tashman.

Alternates Present: Christopher Miller, John Murphy

Staff: David Bailey, Michael Coultrip, Brenda Carlson, Gladys Smith, Tariq Ali, Lilibeth Dames and Kristina Perez.

1301.2.1 Oral Communications From the Board: Ms. Settles gave a report regarding her attendance at the Opal Public Funds Summit in Scottsdale, Arizona on January 8-10, 2013. Mr. Spinello was also in attendance at the Opal conference.

1301.2.2 Oral Communications From the Public: Mr. Miller reported on his attendance at the Opal Public Funds Summit.

1301.3.1 Approval of the Board Meeting Minutes:

Action: Mr. David moved to approve the minutes from the regular Board meeting held on December 11, 2012. The motion was seconded by Mr. Hackleman and carried unanimously.

1301.4.0 Approval of the Consent Agenda: The Chair asked if there were any items to be removed from the Consent Agenda, and none were taken off.

Action: Mr. Hackleman moved to approve the Consent Agenda, and the motion was seconded by Mr. David and carried unanimously.

Consent Agenda

1301.4.0 Service Retirements

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

| | | |
|-------------------------|--------------------|-----------------------------|
| Barrientos, Narda | November 20, 2012 | Elections |
| Bohm, Julia | December 1, 2012 | Mental Health |
| Brooks, Ronald | November 3, 2012 | Sheriff's Department |
| Brown, Kathleen | November 30, 2012 | Health Services |
| Brown, Phyllis | December 1, 2012 | Hospital |
| Cook, Rhonda | November 11, 2012 | QDRO |
| Gross, Patrick | November 10, 2012 | Public Works |
| Hansen, Linda | December 1, 2012 | Hospital |
| Jones, Barbara | December 1, 2012 | Health Services |
| Lamore, Kristy | November 21, 2012 | Def'd. from Health Services |
| Loux, John | November 9, 2012 | Def'd. from AGC |
| Lynch, Katharine | August 18, 2012 | Def'd. from Health Services |
| Marion, William | September 21, 2012 | Def'd. from ISD |
| Reiter, Miriam Selinger | November 17, 2012 | Public Works |
| Madigan, Robert | March 31, 2012 | Sheriff's Department |

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1301.4.0 **Continuances**

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

| Survivor's Name | Beneficiary of |
|------------------------|-----------------------|
| Conlan, James | Conlan, Gerlinde |
| Nunes, Peggy | Nunes, Edwin |
| Young, Gerald | Young, Sandra |
| Hukill, Merry | Hukill, Edwin |

1301.4.0 **Deferred Retirements**

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

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Hirsch, Emily | G4 Vested |
| Henrick, Erin | G4 Vested |
| Tuna, Sheila | 3 Non Vested - Reciprocity |
| Jimenez, Reuben | 3 Non Vested - Reciprocity |
| Shaw, Jennifer | G4 Non Vested - Reciprocity |
| Wright, Tatyana | G4 Non Vested – Reciprocity |

1301.4.0 **Member Account Refunds**

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

| Member Name | Retirement Plan Type |
|-----------------------|-----------------------------|
| Perrone, Paul | G2 Vested |
| Torres, Dora | G4 Vested |
| Biear, Catrina | G4 Vested |
| Guevara, Jacqueline | G4 Non-vested |
| Holtz, David | G4 Vested |
| Pautin, Zenaida | G4 Vested |
| Pefley, Pushpa | G4 Vested |
| Washington, Rosalyn | G4 Vested |
| Holcomb, Vaisioa | G4 Vested |
| Custodio, Pia-Rosario | G4 Non-vested |
| Caragdag, Ramil | G4 Non-vested |
| Gonzales, Emily | G4 Vested |
| Carranza, Imelda | G4 Vested |
| Villanueva, Virginia | G4 Vested |
| Vargas, Grethel | G4 Non-vested |
| Page, Melissa | G4 Non-vested |

Member Account Rollovers

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

| Member Name | Retirement Plan Type |
|----------------------|-----------------------------|
| Hickerson, Elizabeth | G5 |
| Gamble, Kristine | G4 Vested |
| Chae, Jun | G4 Non-vested |
| Ararcon, Evelyn | G4 Non-vested |

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Member Account Rollovers (con't)

| Member Name | Retirement Plan Type |
|--------------------|-----------------------------|
| Judd, Teri | G4 Vested |
| Alcantar, Araceli | G4 Non-vested |
| Robinson, Sarah | G5 |
| Laughlin, Leslie | G4 Vested |

1301.4.0 **Other consent agenda items:**

- The Board approved the report recommending the rejection of a portion of a claim- Montisano (Non-culpable).
- The Board received and accepted the Notice of SACRS Board of Directors Election Schedule and Rules.
- The Board accepted the California Fair Political Practices Commission (FPPC) Form 806, "Agency Report of Official Appointments" for posting on the SamCERA website.

1301.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None

1301.5.2 **Approval of Cost of Living Adjustments:** Mr. Bailey presented the staff report and discussed the cost of living increases for 2013. As calculated by SamCERA's actuarial firm, Milliman, Inc., a 2.5% increase is proposed for most Plan 1 and 2 members and a 2% increase for Plan 4 retirees.

Action: Mr. David moved to approve the cost of living adjustments. The motion was seconded by Ms. Settles and carried unanimously.

1301.6.1 **Monthly Portfolio Performance Report:** Mr. Coultrip presented the monthly report, and discussed the portfolio's performance with the Board. The report now includes both net and gross returns information. With no objections noted, the report was accepted.

1301.6.2 **Discussion of 130/30 Manager Universe Comparison:** Mr. Coultrip went over the staff memo and SIS report with the Board and compared D.E. Shaw to the rest of the universe of 130/30 managers. Mr. Thomas stated that SIS is very comfortable recommending D.E. Shaw. This item was informational and no action was taken.

1301.6.3 **Discussion of Fixed Income Manager Structure:** Mr. Coultrip discussed the fixed income manager structure and expected risk levels with the Board, following up the discussion and presentation in October with Angelo Gordon. This item was informational only and no action was taken.

1301.6.4 **Presentation Regarding Overlay Management:** John Nicollini from SIS discussed overlay management with the Board members. He explained the purposes and benefits of an overlay strategy. Mr. Thomas and Mr. Nicollini discussed currency management, frictional cash, potential providers of overlay management, and services available from overlay managers. This item will go to the Investment Committee for further discussion. No action was taken.

1301.6.5 **Discussion on Proposed Changes to the Investment Policy:** Mr. Coultrip discussed the proposed changes in the Investment Policy, in particular the Investment Objectives section. Changes would include reordering and editing. Mr. Coultrip and Board members discussed many topics and their inclusion in the Investment Policy document including funded status; risk; actuarial rate of return; due diligence trips and trustee responsibilities; inclusion of a real estate in alternatives or as a separate asset category; and the size of the investment policy document and the frequency desired to review the policy going forward. This item was for discussion only and no action was taken.

1301.7.0 **Board & Management Support Services**

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- 1301.7.1 **Monthly Financial Report:** Mr. Bailey reported that Ms. Wong's father had passed away. He and Ms. Smith were available to answer any questions regarding the preliminary monthly report. This item was informational and no action was taken.
- 1301.7.2 **Quarterly Budget Report:** Ms. Smith was available to answer any questions regarding the quarterly budget report. This item was informational and no action was taken.
- 1301.7.3 **Approval of Topics for the Board – Staff Retreat :** Mr. Bailey discussed the proposed dates of April 23 and 24, 2013 for the Board Retreat, and asked Board members to select their topics of interest on a short survey and return the survey to staff.
- 1301.7.4 **Approval of Resolution Amending the Interest Crediting Policy:** Mr. Bailey reviewed the proposed change to the policy to set cut off days for interest crediting using the best information available on those dates.
Action: Mr. Hackleman moved to adopt the resolution approving the amendments to the interest crediting policy. The motion was seconded by Mr. David and carried unanimously.
- 1307.7.5 **Approval of Resolution Adopting Procedures for Assessment of Compensation:** Mr. Bailey reviewed this item with the Board members. This is a PEPR requirement that each plan assess compensation to determine where there is spiking. Staff has prepared a new procedure to allow for employer and employee participation in any review where there is suspected spiking.
Action: Mr. David moved to approve the resolution adopting procedures for assessment of compensation; the motion was seconded by Ms. Settles and carried unanimously.
- 1301.7.6 **Report on Technology Modernization and Amendment of Agreement with LRWL:** SamCERA Chief Technology Officer Tariq Ali introduced Will Morrow of LRWL who gave an update on the status of the modernization project and change management. This item was informational only and no action was taken.
- 1301.7.7 **Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement with BCS Systems, Inc.:** Mr. Ali stated that SamCERA will use the same enterprise content management software as the County, Autonomy, and seek to employ the same vendor, BCS, which is already used by the County. Mr. Morrow further explained the negotiation process with BCS had resulted in an agreement, which was ready for approval.
Action: Ms. Settles moved to approve the resolution authorizing the Chief Executive Officer to execute an agreement with BCS Systems; the motion was seconded by Mr. David and carried unanimously.
- 1301.8 **Management Reports**
- 1301.8.1 **Chief Executive Officer's Report:** Mr. Bailey announced that SamCERA has been nominated as the "Small Fund of the Year" by Money Management Intelligence and directed Board members to their handouts for an article regarding the nomination. He noted the County's recent employee engagement survey shows SamCERA as the highest scoring agency. Mr. Bailey let the Board members know of the resignation of Christopher Hawkins and the resulting job vacancy, which would be posted next week. Board members' travel and new requirements for trustee education was discussed.
- 1301.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the deadline for ARC purchase applications had passed and staff had processed 447 application requests. She also stated that three seats on the Board of Retirement are up for election in June; these seats are currently held by Trustees Natalie Kwan Lloyd, Paul Hackleman and John Murphy.
- 1301.8.3 **Chief Investment Officer's Report:** Lilibeth Dames reported on various private equity opportunities being researched by SIS.

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1301.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported in the BP matter, the complaint has been filed and SamCERA is included in the list of plaintiffs. She let the Board know she would be hosting the attorneys roundtable in San Jose for CALAPRS and the topic was PEPRA. She continues to follow PEPRA and check consistency with other agencies. Ms. Carlson reported there are three litigations concerning PEPRA, and items such as terminal pay and vacation payouts at retirement are being litigated.

CLOSED SESSION: Ms. Arnott adjourned the meeting into closed session at 4:55 p.m.

C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session – None.**

C2 **Conference with Legal Counsel - Anticipated Litigation:** Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9, One case.

C3 **Conference with Legal Counsel - Existing Litigation:** Pursuant to subdivision (a) of Government Code Section 54956.9, *In re: Dendreon Corporation Class Action Litigation*, United States District Court Western District of Washington at Seattle, Master Docket No. C11-1291 JLR.

1301.9 **Report on Actions Taken in Closed Session:** Ms. Arnott reconvened the meeting at 5:03 p.m. into open session. Ms. Carlson stated there was no reportable action taken on item C2, regarding anticipated litigation; and no reportable action taken on item C3, regarding existing litigation.

1301.10 **Adjournment:** With no further business Ms. Arnott adjourned the meeting at 5:04 p.m. in memory of Poon Ching Kwong, father of Mabel Wong, and Vincent Peterson, the father-in-law of Michael Coultrip, and in memory of the following deceased members:

| | | |
|-------------------------|-------------------|------------------------------|
| Conlan, Gerlinde | November 1, 2012 | Environmental Health |
| Sack, Ruth | November 4, 2012 | Youth & Family Services |
| Robinson, Kathleen | November 10, 2012 | Library |
| Duncan, Marilyn | November 12, 2012 | Human Resources |
| Giannini, Louis | November 12, 2012 | Def'd. from DAO |
| Grant, Anna | November 16, 2012 | District Attorney's Office |
| Nunes, Edwin | November 19, 2012 | Road Maintenance |
| Thomas, Benjamin | November 20, 2012 | Data Processing |
| Sanz, George | November 25, 2012 | Ben. of Josephine Sanz |
| McCavitt, Loretta | November 25, 2012 | Ben. of Bernard McCavitt |
| Allen, Laura | November 28, 2012 | Human Services |
| Nevin, Michael | December 1, 2012 | Board of Supervisors |
| Blasser, William | December 3, 2012 | Sherriff's Dept. |
| Hamilton, Carolyn | December 3, 2012 | Public Services |
| Quesada, Charles | December 8, 2012 | Def'd. from General Services |
| Tyler, Mildred | December 13, 2012 | Social Services |
| Sales, Maria | December 14, 2012 | QDRO |
| De Benedetti, Elizabeth | December 23, 2012 | Controller's Office |



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary