

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

July 23, 2013

Agenda Item 3.0

May 28, 2013 – Board Agenda

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

1. Call to Order, Roll Call and Miscellaneous Business

- 1.1 Appointment of Ad Hoc Nominating Committee for Board Officers

2. Oral Communications

- 2.1 Oral Communications From the Board
2.2 Oral Communications From the Public
2.3 Recognition of Service of John Murphy

3. Approval of the Minutes

4. Approval of the Consent Agenda

Disability Retirements

- Irma Barriga
- Clarita Bundalian
- Jeffrey Edralin
- Jenny Foster
- Desiree Martinez

Service Retirements

Continuances

Deferred Retirements

Member Account Refunds

Member Account Rollovers

4.2 Trustee Conference Request

4.3 Approval of Annual Manager Review
Questionnaires for Growth Managers

4.4 Approval to Revise Mission and Goals
Statement

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
5.2 Approval of Actuarial Assumptions for the June 30, 2013, Actuarial Valuation

6. Investment Services

- 6.1 Preliminary Monthly Portfolio Performance Report
6.2 Quarterly Investment Performance Report for the Period Ending March 31, 2013
6.3 Report on Core Equity Manager Annual Reviews
6.4 Approval of Asset Liability Study Project Kick-off and Time Line
6.5 Interview Strategic Overlay Managers (Special Meeting Item #4)
6.6 Discussion and Approval of Strategic Overlay Manager (Special Meeting Item #5)
6.7 Approval of Real Duration Hedging Proposal

7. Board & Management Support Services

- 7.1 Presentation of Monthly Financial Report
7.2 Discussion and Approval of SamCERA 2013-2014 Budget
7.3 Overview of Annual Financial Audit
7.4 Approval of Audit Engagement Letter
7.5 Approval of Fiduciary Insurance
7.6 Approval of Board of Retirement's Response to 2012-13 Grand Jury Report
7.7 Approval to Reschedule the July Meeting of the Board of Retirement

8. Management Reports

- 8.1 Chief Executive Officer's Report

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- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

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

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session.

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Hamby, Dorothy	March 30, 2013	Manpower
Imada, Sue	April 2, 2013	Social Services
Royer, William	April 8, 2013	Board of Supervisors
Aguilera, Virginia	April 17, 2013	Board of Supervisors
Gunderson, Barbara	April 17, 2013	Sheriff's Department
Shroyer, Chester	April 10, 2013	Veterans Services
Olson, Stanley	April 15, 2013	Def'd. from Schools
Jamison, Erma	April 20, 2013	Def'd from Housekeeping
Jones, Joyce	April 25, 2013	Probation
Wespieser, Howard	April 27, 2013	Mental Health
Sprowl, Alvina	April 29, 2013	Ben. of Sprowl, Harvey

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May 28, 2013– Board Minutes

1305.1 **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. The Board met at 30 Twin Pines Lane, Belmont, CA.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Natalie Kwan Lloyd, Michal Settles, David Spinello, John Murphy (sat in for Paul Hackleman) and Eric Tashman.

Excused: Paul Hackleman

Alternates: Christopher Miller

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

1305.1.1 **Appointment of Ad Hoc Nominating Committee for Board Officers:** Ms. Arnott announced the appointments to the Ad-Hoc Nominating Committee. The committee will include Ms. Arnott and Mr. David, with Ms. Settles as the Chair.

1305.2.1 **Oral Communications From the Board:**

Ms. Arnott reported her attendance at the SACRS Spring Conference, which was held May 12-17, 2013 in Napa. The SACRS conference was also attended by Mr. David, Ms. Settles, Ms. Agnew, and Mr. Spinello. Ms. Agnew reported her attendance, and participation as a featured speaker at the "Impact Investing in the Bay Area" conference, on May 7, 2013 in San Francisco. The conference was also attended by Ms. Arnott and Ms. Kwan Lloyd.

1305.2.2 **Oral Communications From the Public:** Mr. Miller also reported his attendance at SACRS.

1305.2.3 **Recognition of Service of John Murphy:** Mr. Bailey presented Mr. Murphy with a certificate of appreciation, and thanked him on behalf of the Board, members and staff for his service to SamCERA. The certificate stated that Mr. Murphy was the first Retired Alternate ever to serve in the position, which was created by the Board of Retirement in 2006. Mr. Murphy first served beginning with the July 25, 2006 meeting, and attended his last Board meeting as Retired Alternate on May 28, 2013.

1305.3.0 **Approval of the Board Meeting Minutes:**

Action: Ms. Agnew moved to approve the minutes from the Board meeting held on April 23-24, 2013. The motion was seconded by Mr. Spinello and carried unanimously.

1305.4.0 **Approval of the Consent Agenda:** The Chair asked if there were any items to be removed from the Consent Agenda, and the consideration of disability retirement for Clarita Bundalian and Jenny Foster were taken off.

Action: Mr. Tashman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. David and carried unanimously.

1305.4.1

Consent Agenda

Disability Retirements

1. The Board found that Irma Barriga is (1) disabled from performing her usual and customary duties as a Benefits Analyst II, (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.

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1305.4.1

Consent Agenda

Disability Retirements

2. The Board found that Jeffrey Edralin is (1) permanently incapacitated for the performance of his duties as an Associate Systems Engineer, (2) found that his disability was not a result of an injury arising out of and in the course of his employment and (3) denied his application for a service-connected disability retirement.

3. The Board found that Desiree Martinez is (1) disabled from performing her usual and customary duties as a Public Service Specialist, (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.

1305.4.1

Service Retirements

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

Aines, Cheryl	March 28, 2013	Sheriff's Office
Armstrong, Debra	April 1, 2013	First Five
Battad, Ambrosia	March 30, 2013	Hospital
Benton, Timothy	March 30, 2013	Courts
Briones, Danilo	March 2, 2013	Def'd. from Controller
Broman, Nancie	March 2, 2013	Human Services
Buckwalter, Marcia	March 31, 2013	Hospital
Buhs, Joanne	March 31, 2013	Human Services Agency
Butler, Toni	March 29, 2013	Hospital
Cattich, Betty	March 30, 2013	Sheriff's Office
Chun, Terrence	March 30, 2013	Environmental Health
Coe, Scott	March 31, 2013	Housing
Conley, John	March 30, 2013	Public Health
Contreras, Antonio	March 30, 2013	Hospital
Cupman, Margaret	December 29, 2012	Def'd. from Libraries
Dawson, Marlene	March 30, 2013	Aging & Adult Services
Diehl, Virginia	March 30, 2013	Planning Department
Enriquez, Preciosa	March 30, 2013	Child Support Services
Fernandez, Rosario	March 30, 2013	Planning Dept.
Frey, Lance	March 31, 2013	Mental Health
Giannini, Alfred	March 31, 2013	District Attorney's Office
Grivas, Emely	March 30, 2013	Hospital
Grizzle, Mary	March 30, 2013	ISD
Harrison, Lynn	March 30, 2012	Human Services
Hirsch, Kathleen	March 24, 2013	Def'd. from Hospital
Kalber, Yvonne	March 30, 2013	Probation
Kastell, Frank	March 30, 2013	Sheriff's Office
Katsuranis, Nancy	March 29, 2013	Library
Lehmkuhl, Catherine	March 31, 2013	Hospital

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Consent Agenda

1305.4.1 **Service Retirements**

Liu, Peggy	March 30, 2013	Hospital
Lumm, George	March 30, 2013	Human Services Agency
Martinez-Brown, Carol	March 30, 2013	Human Services
McKague, Donald	March 31, 2013	Sheriff's Office
Moerman, Matthew	April 1, 2013	Sheriff's Office
Nelson, Deborah	December 29, 2012	Def. from Planning
Noyer, Pamela	March 31, 2013	Public Works
Ojeda, Josephine	March 31, 2013	Probation
Orzal, Alfredo	March 17, 2013	Controller's Office
Parnala, Rodrigo	March 30, 2013	Aging & Adult Services
Pendergrass, Bruce	March 30, 2013	Human Services Agency
Powers, Matthew	March 29, 2013	Sheriff's Office
Pummer, Ronald	March 30, 2013	Ag. Weights & Measures
Quilici, Elena	March 2, 2012	Medical Center
Quines, Carlota	March 31, 2013	Hospital
Razak, Margaret	March 30, 2013	Sheriff's Office
Rich, Debra	March 29, 2013	Def'd. from Hospital
Rider, Bruce	March 30, 2013	Human Services Agency
Rink, Richard	March 30, 2013	Aging and Adult Services
Rivera, Marciano	March 30, 2013	Public Works
Rodriguez, Carmenza	March 30, 2013	Behavioral Health
Rogers, Susan	March 31, 2013	Human Services Agency
Salas, Alma	March 30, 2013	Probation
Schofield, Daren	March 31, 2013	Sheriff's Office
Shanks, Michael	March 30, 2013	Sheriff's Office
Singh, Ratnesh	April 1, 2013	Sheriff's Office
Somerville, Linda	April 1, 2013	Hospital
Swope, Virgil III	March 4, 2013	County Counsel
Tanner, James	March 30, 2013	Sheriff's Office
Ten, Mona	March 30, 2013	Sheriff's Office
Tocchini, Peter	March 29, 2013	Human Resources
Tweedie-Hardman, Judith	March 22, 2013	Sheriff's Office
Vanderhorst, Gloria	March 29, 2013	Human Services Agency
Villaluna, Marilou	March 16, 2013	Public Works
Volis, Michael	March 30, 2013	Human Services
Watkins, Joanne	March 30, 2013	Public Health
Weinberg, Tara	March 17, 2013	Def'd. from Courts

Continuances

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

Survivor's Name	Beneficiary of
Stephens, Philip	Stephens, Cherie
Gunderson, Martin	Gunderson, Barbara

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1305.4.1 **Deferred Retirements**

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

Member Name	Retirement Plan Type
Lara, Henry	G3 Vested – Auto Defer
Meynard, C. E	G4 Vested – Auto Defer
Castro, Roschelle	G4 Vested
Hartman, Celia	G4 Vested
Wong, Athena	G4 Vested
Cardoza, Teresa	G2 Vested
Schofield, Georgette	G2 Vested
Reimche, Craig	G4 Vested with incoming reciprocity
Guillen, Rey	G4 Vested with incoming reciprocity

1305.4.1 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Hatt, Brandon	S4 Vested
Petelo, Steven	P4 Non-vested
Bautista, Joel	G4 Vested
McCarthy, Shannon	G4 Non-vested
Robinson, Sarah	G5
Dearman-Seeney, Jo Ann	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
Degliantoni, Angela	G4 Non-vested
Ramirez de Cartagena, Michael	G4 Non-vested
Boyd, Penny	G4 Vested

1305.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** Ms. Arnott adjourned the meeting into closed session at 1:08 p.m. to consider the application of Clarita Bundalian for service-connected disability retirement.

The member was not present but was represented by counsel Stephen Booth. After hearing presentations and argument from Mr. Booth and Kathryn Meola, Deputy County Counsel, a motion was made and seconded to accept the findings and recommendation of the Hearing Officer and to deny the application for service-connected disability. The motion was approved unanimously.

The Board met in closed session in regard to the application of Jenny Foster for service-connected disability retirement. Ms. Settles recused herself and left the room as she knew the applicant.

The member was present. A motion was made and seconded to refer the matter to a Hearing Officer for findings and recommendation. The motion was approved unanimously.

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The Board reconvened in open session at 1:45 p.m. Ms. Carlson reported that application of Clarita Bundalian for service-connected disability retirement was denied, and the application of Jenny Foster for service-connected disability retirement was referred to a hearing officer for findings and recommendation.

- 1305.5.2 **Approval of Actuarial Assumptions for the June 30, 2013, Actuarial Valuation:** Mr. Bailey introduced Nick Collier, of Milliman, Inc. who reviewed the actuarial assumptions and demographics with the Board. Mr. Collier went through Milliman's report page by page and answered questions from the Board. Discussion topics included lowering the assumed rate of return; the effect of the assumption rate on contributions; the schedule of amortization of the unfunded liability; and affects of prepayments and lump sum payments from the County. Reyna Farrales from the County Manager's Office commented, as did Michael Barber from Supervisor Pine's Office and Jim Saco, Budget Director. **Action:** Ms. Agnew moved to approve the economic and demographic actuarial assumptions to be used in the June 30, 2013, actuarial valuation, including maintaining the actuarial assumed rate of return at 7.5%. The motion was seconded by Ms. Settles and carried unanimously.
- 1305.6.0 **Investment Services**
- 1305.6.1 **Preliminary Monthly Portfolio Performance Report:** Mr. Coultrip presented the report. This item was for discussion only and no action was taken.
- 1305.6.2 **Quarterly Investment Performance Report for the Period Ending March 31, 2013:** Patrick Thomas of SIS reviewed the quarterly investment performance report with the Board, noting that new pages and additional information have been added to the report. This item was for discussion only and no action was taken.
- 1305.6.3 **Report on Core Equity Manager Annual Reviews:** Mr. Coultrip reported on the annual manager reviews for BlackRock and D.E. Shaw that were held on May 2, 2013. Recent changes to the investment team at D.E. Shaw were discussed. This item was for discussion only and no action was taken.
- 1305.6.4 **Approval of Asset Liability Study Project Kick-off and Time-line:** Mr. Coultrip reviewed and discussed with the Board the benefits of the proposed asset liability study, the reasons for undertaking this project, and the anticipated time-line for implementing the study. **Action:** Mr. David moved to approve the launching of a new Asset Liability Study and the associated time line. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.
- 1305.6.5 **Interview Strategic Overlay Managers (Special Meeting Item #4):** This item was heard in the Special Meeting held before the Regular meeting.
- 1305.6.6 **Discussion and Approval of Strategic Overlay Manager (Special Meeting Item #5):** This item was heard in the Special Meeting held before the Regular meeting.
- 1305.6.7 **Approval of Real Duration Hedging Proposal:** Mr. Coultrip reviewed the analysis provided by Brown Brothers Harriman regarding hedging a portion of SamCERA's TIPS portfolio. The Board discussed the report. **Action:** Mr. David moved to approve authorizing the Chief Investment Officer to direct Brown Brothers Harriman to hedge a portion of SamCERA's TIPS portfolio. The motion was seconded by Ms. Agnew and carried unanimously.

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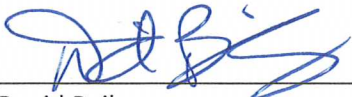
Ms. Arnott adjourned the meeting for a break at 3:15 p.m., and the Board reconvened at 3:25 p.m. The next item was taken out of order.

- 1305.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that the Request for Proposal for the PASS system was close to release. Tariq Ali, Chief Technology Officer and Will Morrow, LRWL Project Manager, gave the Board an update on the technology project, including a status report on the enterprise content management project, and reviewed the project completion schedule.
- 1305.7.0 **Board & Management Support Services**
- 1305.7.1 **Monthly Financial Report:** Ms. Wong presented the monthly financial report to the Board. This item was informational only and no action was taken.
- 1305.7.2 **Discussion and Approval of SamCERA 2013-2014 Budget:** Ms. Wong reviewed the 2013-2014 budget with the Board and answered questions.
Action: Mr. David moved to adopt a resolution approving SamCERA's 2013-2014 budget. The motion was seconded by Mr. Spinello and carried unanimously.
- 1305.7.3 **Overview of Annual Financial Audit:** Ms. Wong reviewed the schedule and the structure of the financial audit process with the Board. This item was informational only and no action was taken.
- 1305.7.4 **Approval of Audit Engagement Letter:** Ms. Wong discussed the audit engagement letter with the Board, which is signed annually by the CEO and Chair of the Audit Committee, and outlines the expectations and responsibilities of the audit firm Brown Armstrong.
Action: Mr. Spinello moved to authorize the Chief Executive Officer and the Audit Committee Chair, Mr. Tashman, to execute the Audit Engagement Letter for June 30, 2013, Financial Statement Audit, upon approval by legal counsel. The motion was seconded by Mr. Bowler and carried unanimously.
- 1305.7.5 **Approval of Fiduciary Insurance:** Ms. Smith discussed fiduciary liability insurance with the Board. She stated that the current level is \$10 million in coverage. She explained that coverage for trustees and certain staff was included, at the same rate as last year of \$25 per person.
Action: Ms. Settles moved to authorize the County's Risk Manager to renew fiduciary liability coverage with ACORD through May 27, 2014. The motion was seconded by Mr. David and carried unanimously.
- 1305.7.6 **Approval of Board of Retirement's Response to 2012-13 Grand Jury Report:** Ms. Carlson discussed the proposed response to the Grand Jury report with the Board. Board members asked questions and gave comments.
Action: Ms. Settles moved to approve the Board of Retirement's responses to the applicable findings and recommendations contained in the San Mateo County 2012-13 Grand Jury Report, with additional edits and discretionary changes to be reviewed and approved by Mr. Tashman, prior to delivery. The motion was seconded by Ms. Agnew and carried unanimously.
- 1305.7.7 **Approval to Reschedule the July Meeting of the Board of Retirement:** Mr. Bailey discussed a date change for the July meeting with the Board. No additional available dates could be found, and no motion was made. The July 23, 2013, meeting will be held as previously scheduled.
- 1305.8.0 **Management Reports**
- 1305.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that staff was currently working on a new logo for SamCERA and he would bring it before the Board at a future meeting.


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- 1305.8.2 **Assistant Executive Officer's Report:** Ms. Smith gave an update on the elections, stating the ballots had been mailed out and the election day is June 10, 2013. Ms. Smith announced that Scott Hood would be returning to his duties as Assistant Executive Officer in June, and she thanked Mr. Bailey for the opportunity to serve in Mr. Hood's absence.
- 1305.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported attending the CIO breakout session at SACRS.
- 1305.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported that Contra Costa County is still in litigation regarding AB197, and she will keep the Board posted on that issue.
- 1305.9 **Report on Actions Taken in Closed Session:** See item 5.1
- 1305.10 **Adjournment:** With no further business, Ms. Arnott adjourned the meeting at 4:52 p.m. in memory of the following deceased members:

Hamby, Dorothy	March 30, 2013	Manpower
Imada, Sue	April 2, 2013	Social Services
Royer, William	April 8, 2013	Board of Supervisors
Aguilera, Virginia	April 17, 2013	Board of Supervisors
Gunderson, Barbara	April 17, 2013	Sheriff's Department
Shroyer, Chester	April 10, 2013	Veterans Services
Olson, Stanley	April 15, 2013	Def'd. from Schools
Jamison, Erma	April 20, 2013	Def'd from Housekeeping
Jones, Joyce	April 25, 2013	Probation
Wespieser, Howard	April 27, 2013	Mental Health
Sprowl, Alvina	April 29, 2013	Ben. of Sprowl, Harvey



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary