

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

December 10, 2013

Agenda Item 3.2

October 29, 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

- 1.1 Administration of Oath of Office to Reappointed Trustee

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)

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| 4.1 Disability Retirements | |
| a. Amberg, Barbara | 4.2 Service Retirements |
| b. Amongol, Dana | 4.3 Continuances |
| c. Borg, Susie | 4.4 Deferred Retirements |
| d. Frattaroli, Lynda | 4.5 Member Account Refunds |
| e. Hardy, Isaac | 4.6 Member Account Rollovers |
| f. Overman, Ronnie | 4.7 Approval of Internal Control
Structure |
| g. Runneals, Robert | |
| h. Wong, Helen | |

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
5.2 Approval of Amendments to Article V of Board of Retirement Regulations Relating to Disability Retirement

6. Investment Services

- 6.1 Preliminary Monthly Portfolio Performance Report for the Period Ending Sept. 30, 2013
6.2 Report on Commodity, Hedge Fund, Risk Parity, and Real Estate Annual Manager Reviews
6.3 Approval of New Asset Class Target Portfolio
6.4 Approval to Transition Investment in AQR Delta Fund to AQR Delta XN Fund

7. Board & Management Support Services

- 7.1 Monthly Financial Report and Discussion of Future Reports
7.2 Quarterly Budget Report
7.3 Approval of Financial Audit Management Reports and Findings
7.4 Approval of 2013 Comprehensive Annual Financial Report
7.5 Approval of Contract with Brown Armstrong for GASB 67 and 68 Implementation Services
7.6 Annual Review of Independent Auditor, Brown Armstrong
7.7 Approval of Financial Knowledge Network Contract Amendment
7.8 Approval of LRWL Contract Amendment for PASS Implementation Services
7.9 Approval to Use County HR Department for SamCERA CEO Recruitment
7.10 Approval of County Supplemental Contributions Memorandum of Understanding
7.11 Discussion of Fall SACRS Business Meeting Action Items

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

8. Management Reports

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

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

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
- C2 Conference with Legal Counsel - Existing Litigation: Pursuant to subdivision (a) of Government Code Section 54956.9. One case: *Montisano v. The San Mateo County Employees' Retirement Association et al*, San Mateo Superior Court Case No. 522614

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Rhees, Edna	September 3, 2013	Beneficiary of Irvin Rhees
Goodwin, Arthur	September 5, 2013	General Services
Price, William	September 7, 2013	Beneficiary of Barbara Price
Cissell, Katherine	September 10, 2013	Environmental Health
Tilman, Nomalee	September 10, 2013	Correctional Health
Lee, Joan	September 11, 2013	Beneficiary of William Lee
Sanchez, Joseph	September 13, 2013	Sheriff's Office
Stumbaugh, Nicholas	September 20, 2013	Sheriff's Office
Cable, Constance	September 21, 2013	Social Services
Milford, Vivian	September 26, 2013	Social Services
Gilbert, Alice	September 27, 2013	Libraries
Spece, Maria	September 29, 2013	General Services
Phelan, Margaret	September 30, 2013	Health and Welfare

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

October 29, 2013 – Regular Board Meeting Minutes

1310.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Natalie Kwan Lloyd, Chair, called the Regular Meeting of the Board of Retirement to order at 10:15 a.m.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Natalie Kwan Lloyd, Christopher Miller (sitting in for David Spinello), Alma Salas (sitting in for Paul Hackleman) Michal Settles and Eric Tashman.

Excused: David Spinello, Paul Hackleman

Staff: David Bailey, Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Mabel Wong and Kristina Perez.

1310.1.1 **Administration of Oath of Office to Reappointed Trustees:** Sergeant Christina Corpus administered the Oath of Office to reappointed Trustee Ben Bowler. Mr. Bowler's term expires in June 2016.

1310.2.1 **Oral Communications From the Board:** Mr. David reported on his attendance at the IFEBP Trustees Master's program, October 18-20. Ms. Kwan Lloyd reported her attendance at Wharton and the CALAPRS Round Table in September, and she attended the IFEBP Annual Conference and the Trustees Master's Program in October. Mr. Miller reported his attendance at the IFEBP Annual Conference, and he attended CAPPP Part I at the same event. Both Ms. Salas and Ms. Settles reported on their attendance at the IFEBP Annual Conference.

1310.2.2 **Oral Communications From the Public:** None.

1310.3.0 **Approval of the Board Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the minutes, and none were noted.

Action: Ms. Settles moved to approve the regular meeting minutes from the Board meeting held on September 24, 2013. The motion was seconded by Mr. David and carried with a vote of 9-0 with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman in favor; none opposed.

The Chair called agenda item 7.3 to be heard at this time. The remaining agenda items were heard in the order listed below.

1310.7.3 **Approval of Financial Audit Management Reports and Findings:** Mr. Andy Paulden, partner at Brown Armstrong gave the audit report to the Board. He explained the audit process, stating it was similar to last year's process. He noted the opinion letter is a little different regarding clarity standards and noted no incidents of non-compliance, no significant breakdowns in internal control, no findings and no weaknesses. It was a clean report. There was some discussion regarding how alternatives are valued.

Action: Mr. Tashman moved to approve the 2012-13 Financial Audit report, and the motion was seconded by Mr. David and carried by a vote of 9-0, with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; none opposed.

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

- 1310.7.4 **Approval of 2013 Comprehensive Annual Financial Report:** Mr. Tashman reported that the Audit Committee had met and had comments regarding the CAFR. He reviewed the comments with the Board. **Action:** Ms. Settles moved to approve SamCERA's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The motion was seconded by Ms. Salas and carried by a vote of 9-0, with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; none opposed.
- 1310.7.5 **Approval of Contract with Brown Armstrong for GASB 67 and 68 Implementation Services:** Mr. Tashman reported that the Audit Committee had discussed and recommended Board approval of the contract with Brown Armstrong for additional funding to support the GASB implementations, amount not to exceed \$9,500. **Action:** Mr. David moved to approve the contract with Brown Armstrong for GASB implementation services. The motion was seconded by Ms. Arnott, and carried by a vote of 9-0 with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; none opposed.
- 1310.7.6 **Annual Review of Independent Auditor, Brown Armstrong:** Ms. Wong thanked the Board members for participating in the online survey regarding the evaluation of the independent auditor services provided by Brown Armstrong. Ms. Wong reported the scores were above average and there is a clear improvement regarding communication and accessibility. Ms. Wong noted there were recent changes in personnel at Brown Armstrong, and Mr. Paulden explained the changes would not impact services for SamCERA. This was an informational item and no action was taken.

The Chair called for the 6.0 items next and agenda items were heard in the following order.

- 1310.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ending Sept. 30, 2013:** Mr. Coultrip presented the monthly performance report and stated that the fund's net preliminary return for September was +3.2%. This item was informational only and no action was taken.
- 1310.6.2 **Report on Commodity, Hedge Fund, Risk Parity, and Real Estate Annual Manager Reviews:** Mr. Coultrip reported that the manager reviews for commodities, hedge funds, risk parity and real estate were conducted in early October. Mr. Coultrip reviewed specific information for each of the managers and stated there were no significant concerns identified during the portfolio reviews.

The Chair called for a break at 11:16 a.m. and the meeting reconvened at 11:36 a.m.

- 1310.6.3 **Approval of New Asset Class Target Portfolio:** Mr. Coultrip reviewed the proposed portfolio and discussed the allocation changes suggested. Mr. Patrick Thomas and Mr. Steve Masaryk, of SIS, gave additional information on risk parity and hedge funds. Board members commented on the proposal, and asked SIS and Mr. Coultrip questions about the changes. Topics included leverage, ratio of passive and active managers, exposure to risk parity, correlations, and views on hedge funds. **Action:** It was moved by Mr. David and seconded by Ms. Salas to approve the new asset class target portfolio as recommended. The motion carried by a vote of 6-3, with Trustees Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman) and Settles in favor; and Trustees Agnew, Arnott and Tashman opposed.

The Chair adjourned the meeting at 12:25 p.m. for lunch, and the meeting reconvened at 12:45 p.m.

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

- 1310.6.4 **Approval to Transition Investment in AQR Delta Fund to AQR Delta XN Fund:** Mr. Coultrip discussed changing the fund vehicle SamCERA is using to gain exposure to hedge fund betas from the AQR Delta Fund to the AQR Delta XN Fund. He noted that the new fund is run identically to the Delta fund, but has different liquidity terms, with the new fund requiring a 75-day notice for redemptions instead of a 15-day notice. In exchange for the longer notice period, the new fund offers a 10% fee break compared to the Delta fund. **Action:** Mr. David moved to transition the full amount of SamCERA's investment in the AQR Delta Fund to the AQR Delta XN Fund. The motion was seconded by Ms. Salas and carried by a vote of 9-0, with Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; none opposed.
- 1310.7.1 **Monthly Financial Report and Discussion of Future Reports:** Ms. Wong provided the monthly financial report, noting an increase of \$79.6 million. Ms. Wong also discussed the frequency of future financial reporting, recommending financial reports to the Board be made on a quarterly basis, in November, February, May and August. Mr. Tashman reported the Audit Committee discussed this earlier and is supportive of this change.
- 1310.7.2 **Quarterly Budget Report:** Ms. Wong presented the quarterly budget report to the Board. She reviewed the three budget categories - professional, administrative and technology. This item was informational only and no action was taken.
- 1310.7.7 **Approval of Financial Knowledge Network Contract Amendment:** Mr. Hood explained the need for a contract amendment with the Financial Knowledge Network, to add additional budget authority to provide continued classes for SamCERA members. **Action:** A motion was made by Mr. David to approve the resolution authorizing a second amendment to the agreement with Financial Knowledge Network, increasing the maximum to \$350,000. The motion was seconded by Mr. Bowler and carried unanimously, with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; and none opposed.
- 1310.7.8 **Approval of LRWL Contract Amendment for PASS Implementation Services:** Mr. Bailey presented the proposed amendment to the agreement with LRWL, which authorizes an additional cost of \$918,000. He explained that LRWL Inc. would continue to oversee the implementation of the new PASS, which is set to commence in January of 2014 with a projected completion date of June 30, 2017. **Action:** A motion was made by Mr. Miller to approve a resolution authorizing a contract amendment with LRWL. The motion was seconded by Ms. Agnew and carried unanimously, with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; and none opposed.
- 1310.7.9 **Approval to Use County HR Department for SamCERA CEO Recruitment:** Mr. Bailey discussed the engagement of the County's HR Department as lead for the CEO recruitment process. **Action:** A motion was made by Ms. Settles to approve the County of San Mateo Human Resources Department as the recruitment consultant for recruitment of SamCERA's Chief Executive Officer. The motion was seconded by Mr. Tashman and carried unanimously, with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; and none opposed.

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

1310.7.10 **Approval of County Supplemental Contributions Memorandum of Understanding:** Mr. Bailey presented the finalized MOU for the receipt of supplemental contributions from the County, and discussed key points included in the MOU. He explained the first voluntary supplemental contribution is expected to be received in February 2014, and then voluntary payments will be made annually thereafter during the term of the MOU.

Action: Mr. Bowler moved to approve a resolution authorizing the Chair of the Board of Retirement to sign the MOU between the County of San Mateo and SamCERA regarding retirement system funding. The motion was seconded by Ms. Arnott, and carried unanimously with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; and none opposed.

1310.7.11 **Discussion of Fall SACRS Business Meeting Action Items:** Mr. Bailey discussed the SACRS business items expected to be voted upon at the SACRS Fall Conference. SamCERA's voting delegate will be Vice Chair Agnew with Mr. Bailey as the Alternate, as Ms. Kwan Lloyd is unable to attend. This item was informational only and no action was taken.

1310.4.0 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if there were any items to be removed from the Consent Agenda, and the disability application for Lynda Frattaroli was removed from the consent agenda. **Action:** Ms. Salas moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Ms. Agnew. The motion carried with vote of 9-0 with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor, and none opposed.

1310.4.1

Consent Agenda

Disability Retirements

- a. The Board found that Barbara Amberg is (1) permanently incapacitated for the performance of her usual and customary duties as a Librarian, (2) found that her disability was not a result of an illness arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.
- b. The Board found that Dana Amongol is (1) permanently incapacitated for the performance of her usual and customary duties as a Legal Office Specialist, (2) found that her disability was not a result of an illness arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.
- c. The Board found that Susie Borg is (1) permanently incapacitated for the performance of her usual and customary duties as a Benefits Analyst, (2) found that her disability was not a result of an injury arising out of and in the course of her employment, (3) granted her application for a non-service-connected disability retirement.
- d. The Board found that Isaac Hardy is permanently disabled from the duties of a Correctional Health Nurse and granted survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Madeline McGriff.
- e. The Board found that Ronnie Overman is (1) permanently incapacitated for the performance of his usual and customary duties as a Correctional Officer, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.

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

1310.4.1

Consent Agenda

Disability Retirements (con't)

- f. The Board found that Robert Runneals is (1) permanently incapacitated for the performance of his usual and customary duties as a Deputy Sheriff, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.
- g. The Board found that Helen Wong is (1) permanently incapacitated for the performance of her usual and customary duties as an Occupational Therapist, (2) found that her disability was a result of an injury arising out of and in the course of her employment, (3) granted her application for a service-connected disability retirement.

1310.4.2

Service Retirements

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

Member Name	Effective Retirement Date	Department
Corder, Jeanette	August 29, 2013	Deferred from Social Services
Guevara, Henry	August 10, 2013	Probation
Gutierrez, Maurilia	August 31, 2013	Aging and Adults Services
Holmes, Mary	August 20, 2013	Deferred from Hospital
Lawrence, Carole	August 13, 2013	Deferred from ISD
Legaspi, Carmen	September 1, 2013	Deferred from HSA
Manego, Fatima	August 31, 2013	Hospital
Naidu, Sarda	August 31, 2013	Probation
Payette, Stephen	July 7, 2013	Deferred from Aging & Adult Services
Pedruco, Gloria	August 14, 2013	Hospital
Prasad, Ramendra	August 31, 2013	Controller's Office
Sagastume, Socorro	September 1, 2013	Family Health
Sebrana, Pio	August 28, 2013	Deferred from HOS
Strobeck, Marie	August 12, 2013	Deferred from DPW
Wertz, Merrilee	August 10, 2013	Hospital
Wesley, Francine	August 11, 2013	Sheriff's Office
Williams, Gary	August 31, 2013	Public Works

1310.4.3

Continuances

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

Survivor's Name	Beneficiary of
Anderson, Cornelia	Anderson, William

1310.4.4

Deferred Retirements

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

Member Name	Retirement Plan Type
Mata, Marian	G4 Vested
Chen, Calvin	G4 Vested
Peavey, Chindi	G4 Vested - Reciprocity

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

1310.4.4 **Deferred Retirements** (con't)

Member Name	Retirement Plan Type
Mendoza, Abraham	G4 Non Vested - Reciprocity
Womack, Kathleen	G4 Vested – Reciprocity
Ugas, July	G4 Vested - Reciprocity
Lewis, Tina	G4 Vested – Reciprocity

1310.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Austin, Ronald	G4 Non-vested
Harirchi, Fereshteh	G4 Non-vested
Garratt, Stephanie	G4 Vested
Mozingo, George	G4 Non-vested
Keyes, Marcia	G4 Vested
Barone, Deborah	G7
De La Torre, Andrew	G7
Lacap, Maryann	G7
Sandoval, Norma	G5

1310.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
Ghannam, Juanita	G7
Khayam-Bashi, Farzad	G4 Non-vested
Simbe, Catrina	G4 Vested
Guidi, Gina	G4 Non-vested

1310.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** The Board adjourned to closed session at 1:32 p.m. to consider the disability application of Lynda Frattaroli and stayed in closed session to discuss agenda item C2. The public meeting was reconvened at 1:55 p.m.

1310.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported on the closed session matters. Regarding the consideration of a service-connected disability application for Lynda Frattaroli, a motion was made and seconded to accept the recommendation of staff to find the member unable to perform her job duties, (2) find that her disability was a result of a medical condition arising out of and in the course of employment and (3) grant her application for a service-connected disability retirement. The motion was approved unanimously with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman all in favor; and none opposed.

There was no reportable action for item C2, Conference with Legal Counsel - Existing Litigation: Pursuant to subdivision (a) of Government Code Section 54956.9. One case: *Montisano v. The San Mateo County Employees' Retirement Association et al*, San Mateo Superior Court Case No. 522614

1310.5.2 **Approval of Amendments to Article V of Board of Retirement Regulations Relating to Disability Retirement:** Mr. Bailey presented the report, and informed the Board that this item would amend SamCERA's disability regulations to be consistent with current practices, and to assure they comply with the 1937 Act.

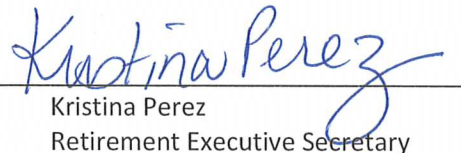
San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

- 1310.5.2 **Action:** Ms. Salas moved to approve a resolution amending and renumbering regulations 5.1-5.10 and deleting regulation 5.2 of Article V of the Board of Retirement Regulations relating to the disability retirement process. The motion was seconded by Ms. Agnew. The motion carried with a vote of 9-0 with Trustees Agnew, Arnott, Bowler, David, Kwan Lloyd, Miller (for Spinello), Salas (for Hackleman), Settles and Tashman, all in favor; and none opposed.
- 1310.8.1 **Chief Executive Officer's Report:** Mr. Bailey let the Board members know there would be one agenda mailing for the December 10 meeting. He talked about the next Board-Staff Retreat scheduled for April 22 and 23, 2014, and discussed several potential topics with the Board.
- 1310.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that a new brochure "Divorce and Your Benefits" had been created by staff to help members understand the complexities and impacts of divorce on their SamCERA benefits. He noted staff had also created a new retirement plan / tier spreadsheet, showing all the plans and formulas. Both documents were given to Trustees in their "Day of Meeting" folder. Mr. Hood said the active member newsletter was sent out and the retiree newsletter would be going out soon, and a recent benefits fair was successful. He updated the Board on the PASS selection process, and announced awards received for the CAFR and PAFR.
- 1310.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that he would be meeting soon with DE Shaw, to discuss the implementation of the 130/30 strategy that had been postponed. He informed the Board of his participation in the monthly CALAPRS working group call.
- 1310.8.4 **Chief Legal Counsel's Report:** Ms. Carlson directed the Board's attention to the legislative update document included in their "Day of Meeting" folder and reviewed the new legislation and case updates.
- 1310.10 **Adjournment:** With no further business, Ms. Kwan Lloyd adjourned the meeting at 2:40 p.m., in memory of the following deceased members:

Rhees, Edna	September 3, 2013	Beneficiary of Irvin Rhees
Goodwin, Arthur	September 5, 2013	General Services
Price, William	September 7, 2013	Beneficiary of Barbara Price
Cissell, Katherine	September 10, 2013	Environmental Health
Tilman, Nomalee	September 10, 2013	Correctional Health
Lee, Joan	September 11, 2013	Beneficiary of William Lee
Sanchez, Joseph	September 13, 2013	Sheriff's Office
Stumbaugh, Nicholas	September 20, 2013	Sheriff's Office
Cable, Constance	September 21, 2013	Social Services
Milford, Vivian	September 26, 2013	Social Services
Gilbert, Alice	September 27, 2013	Libraries
Spece, Maria	September 29, 2013	General Services
Phelan, Margaret	September 30, 2013	Health and Welfare



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary