

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

June 3, 2014

Agenda Item 3.0

April 29, 30, 2014 – Board Agenda

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

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

- Faina Birman
- William Lopez
- Jack Yaco

4.8 Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Website Developer

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

4.6 Member Account Rollovers

4.11 Acceptance of a Gift from Daegis Inc. of Used Office Furniture

4.7 Trustees' Requests for Additional Educational Activities

4.12 Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff

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*)

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

Approved Minutes, April 29-30, 2014

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- 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 30, 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
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
 - 2.3 Retreat Presentations and Discussion (*Continued from Tuesday, April 29, 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
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

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April 29-30, 2014 Board Minutes

Day 1: Minutes for Tuesday, April 29, 2014

1404.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Ms. Natalie Kwan Lloyd, Chair, called the Public Session of the Board of Retirement to order at 9:00 a.m.

Roll Call:

Trustees Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello (arrived at 9:15 a.m.) and Eric Tashman (arrived at 11:40 a.m.).

Alternates Present: Christopher Miller (*Alma Salas – Excused*)

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

1404.2.1 Oral Communications From the Board: Ms. Settles reported her attendance at the 2014 Pension Bridge Annual in San Francisco, on April 22-23, 2014. Mr. David reported his attendance at the NCPERS 2014 Public Pension Funding Forum, April 21-22 in New York. Lauryn Agnew reported attending the Institutional Investor Forum's Roundtable for Public Funds, April 23-25, in Los Angeles. Ms. Arnott reported her attendance at the CALAPRS General Assembly in Palm Springs, March 2-5, 2014.

1404.2.2 Oral Communications From the Public: None.

1404.2.3 Retreat Presentations

The Fed and the Economy – Dr. John Bellows from Western Asset Management gave a presentation and discussed the topic with Board members.

Immunizing the Fund –Patrick Thomas and John Meier of SIS, discussed this topic with the Board.

The Board meeting was adjourned for lunch at 11:45 a.m., and reconvened at 12:30 p.m. to discuss the following agenda items in the order they appear below.

1404.3.1 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: Mr. David moved to approve the minutes from the Special Meeting held on March 25, 2014. The motion was seconded by Mr. Hackleman and carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor, none opposed.

1404.6.1 Preliminary Monthly Performance Report for the Period Ending March 31, 2014: Mr. Coultrip discussed the fund's monthly performance with the Board and reported that SamCERA's net preliminary return for March was +0.36%. This item was informational only and no action was taken.

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1404.6.2 **Report on the Annual Review of SamCERA's International Managers (Eaton Vance, Franklin Templeton, and Pyramis):** Mr. Coultrip reported that staff met with SamCERA's international managers on April 3, 2014, and there were no significant concerns identified in the Eaton Vance and Templeton portfolio reviews. Mr. Coultrip noted that the Pyramis Select International Small-Cap Plus strategy has underperformed and staff will continue to monitor this strategy going forward. This item was informational only and no action was taken.

1404.6.3 **Discussion and Approval of Proposed Changes to the Investment Policy:** Mr. Coultrip reviewed the changes to the Investment Policy discussed at the March Board meeting. Conversation continued on topics including ESG. This item was for discussion only and no action was taken.

Mr. David was excused at 1:00 p.m., and Mr. Miller sat in for Mr. David for the remainder of the meeting. Ms. Kwan Lloyd adjourned the meeting into closed session at 1:40 p.m. to discuss item 6.4.

1404.6.4 **Discussion and Approval of Proposed Alternative Investment (*Confidential Under Gov. Code §54956.81 and §6254.2, to be heard in Closed Session, C2*):** The Board met in closed session to discuss a proposed alternative investment with John Nicolini of SIS. The meeting was reconvened into open session at 2:18 p.m.

Ms. Carlson reported that a motion was made to approve an investment of \$20 million in Taurus Mining Debt Fund, L.P. The motion was seconded and carried by a vote of 6-3, with trustees Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles and Spinello in favor; and trustees Agnew, Arnott and Tashman opposed.

1404.7.2 **Approve a Resolution Authorizing the Chief Executive Officer to Execute Agreements with Northern Trust Company For Global Custody Services and Securities Lending:** Mr. Coultrip went over the selection process that staff undertook to research and select a custodial bank services provider. An Evaluation Committee comprised of Mr. Coultrip, CIO; Mr. Hood, Assistant Executive Officer; Ms. Wong, Finance Officer; and Ms. Milan, Senior Accountant had reviewed the RFPs and attended presentations from each proposer, and recommended Northern Trust. Mr. Coultrip explained that State Street would be the bank of record until June 30, 2014, and would stay working under a contract extension until September 30, to provide a smooth transition; with Northern Trust as the bank of record beginning July 1, 2014.

Action: Ms. Settles moved to approve the resolution authorizing the Chief Executive Officer to execute agreements with The Northern Trust Company for Global Custody Services and Securities Lending. The motion was seconded by Mr. Spinello and carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed.

1404.7.1 **Discussion and Approval of SamCERA 2014-15 Budget:** Ms. Wong reviewed the three components (Professional, Administrative and Technology) of SamCERA's budget for 2014-15 with the Board, and answered questions about changes from last year.

Action: Ms. Agnew moved to approve SamCERA's 2014-2015 Professional, Administrative and Technology Budgets. The motion was seconded by Ms. Settles and carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed.

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1404.4.0 **Approval of the Consent Agenda:** At the time certain of 2:30 p.m., the Chair asked if there were any items to be removed from the Consent Agenda. The disability application for Jack Yaco was removed and voted on separately, as Ms. Kwan Lloyd recused herself from item 5.1 only.

Action: Mr. Hackleman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Bowler and carried by a vote of 9-0, with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman, all in favor, none opposed.

1404.4.1 **Disability Retirements**

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

1404.4.2 **Service Retirements**

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

Member Name	Effective Retirement Date	Department
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

1404.4.3 **Continuances**

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

Survivor's Name	Beneficiary of
Omai, Noboru	Omai, Misayo
Spahn, Charlene	Spahn, Peter
Carney, Margaret	Carney, Francis
Sanchez, Irma	Sanchez, Joseph

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1404.4.4 **Deferred Retirements**

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

Member Name	Retirement Plan Type
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

1404.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
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

1404.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
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
Maclsaac, Julia	G7 Non-vested
Schuller, Bettina	G5 Non-vested
Ogden, Rita	G5 Non-vested
Alexander, Tania	G7 Non-vested
Sandstrom, Matthew	G4 Non-vested

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- 1404.4.7 **Trustees' Requests for Additional Educational Activities:** The Board approved the requests from three trustees for additional educational activities.
- 1404.4.8 **Resolution Authorizing Chief Executive Officer to Execute an Agreement with a Website Developer:** The Board approved the resolution authorizing the Chief Executive Officer to execute an agreement not to exceed \$100,000 with a website developer for a new SamCERA website.
- 1404.4.9 **Resolution Authorizing Chief Executive Officer to Execute an Agreement to Upgrade Microsoft Dynamics Great Plains Software:** The Board approved the resolution authorizing the Chief Executive Officer to execute an agreement with a value-added reseller to upgrade SamCERA's Microsoft Dynamics Great Plains Software.
- 1404.4.10 **Q3 Quarterly Budget Report for Period Ending March 31, 2014:** The Board accepted the 3rd Quarter Budget report as presented.
- 1404.4.11 **Acceptance of a Gift from Daegis Inc. of Used Office Furniture:** The Board approved the acceptance of the gift of used office furniture from Daegis, Inc.
- 1404.4.12 **Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff:** The Board approved the 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.
- 1404.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** The disability application for Jack Yaco was considered separately from the Consent Agenda, as Ms. Kwan Lloyd recused herself from this item.
- Action:** Mr. Hackleman moved to grant Jack Yaco's application for a service-connected disability retirement. The motion was seconded by Mr. Spinello, and carried with a vote of 8-0-1, with trustees Agnew, Arnott, Bowler, Hackleman, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed, and Kwan Lloyd abstaining.
- 1404.2.3 The Retreat Presentations continued after the approval of the Consent Agenda.

Government Transparency Laws – Brenda Carlson, Chief Legal Counsel for SamCERA discussed this topic with the Board.

The meeting was adjourned into closed session at 2:35 pm, to discuss item C3. The meeting reconvened at 3:43 p.m. into open session.

C3 Public Employee Appointment in Accordance with Government Code §54957.

Title: Chief Executive Officer. Approval of Ideal Candidate Description for Chief Executive Officer Recruitment

Action: Mr. Bailey reported that in closed session the Board approved the "Ideal Candidate Statement" for use in the recruitment of a new CEO.

- 1404.7.3 **Approval of Resolution Revising the Board's Education Policy:** Mr. Bailey reviewed the proposed changes to the Board's Education Policy that were discussed at the March meeting. Board members discussed the amended policy that allows trustees to travel to educational events 8 times per year.
- Action:** Mr. Hackleman made a motion to approve the resolution amending the Board's Education Policy. The motion was seconded by Ms. Arnott, and carried with a vote of 9-0, with trustees Agnew,

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Arnott, Bowler, Hackleman, Kwan Lloyd, Miller (for David), Settles, Spinello and Tashman all in favor, none opposed.

At this time both Mr. Spinello and Mr. Tashman reported their attendance at the 2014 Pension Bridge Annual in San Francisco, on April 22-23, 2014.

1404.7.4 **Discussion of SACRS Business Meeting Topics Including Final SACRS Nominating Committee Slate of Officer Candidates:** Mr. Bailey reviewed the SACRS business meeting topics and nominating materials with the Board. This item was informational only and no action was taken.

1404.8 **Management Reports**

1404.8.1 **Chief Executive Officer's Report:** Mr. Bailey notified the Board that SamCERA had received a Certificate of Achievement for Excellence in Financial Reporting from GFOA for SamCERA's CAFR, and thanked staff members who had worked on the CAFR. Mr. Bailey discussed changes to meeting dates and times for June and July, reminding trustees that there is no meeting in May, and the June meeting will be June 3.

1404.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that the agreement with Vitech was nearing completion. He discussed the new additional office space being leased by SamCERA above the current space. Mr. Hood reviewed the Consent Agenda items – the gift of furniture, and the two technology contracts – that were approved by the Board. He noted that the Financial Knowledge classes were completed for the season. Mr. Hood also let Board members know that the non-recourse insurance fee of \$25 would be due on June 3.

1404.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that another private equity opportunity may be available, and would let the Board know after due diligence was completed. He thought that a special meeting or phone call may be required before the next Board meeting to take advantage of this opportunity.

1404.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported that the PERS interpretation of PEPRA law regarding pensionable compensation was consistent with SamCERA's regulations.

Ms. Kwan Lloyd recessed the meeting at 4:24 p.m., concluding the first day of the retreat.

Day 2: Minutes for Wednesday, April 24, 2013

1404.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Kwan Lloyd, Chair, called the Public Session of the Board of Retirement to order at 9:00 a.m.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello (arrived at 9:40 a.m.) and Eric Tashman.

Alternates Present: Christopher Miller (*Alma Salas – Excused*)

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

1404.2 **Oral Communications**

1404.2.1 **Oral Communications From the Board** – Ms. Arnott asked if GMI Ratings, The Future of Corporate

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Reform could be added to the list of approved educational providers listed in the Board's Education Policy.

1404.2.2 **Oral Communications From the Public** – None.

1404.2.3 **Retreat Presentations**

Dive Deep – Michael Coultrip, CIO and Patrick Thomas, Vice President, SIS discussed, in detail, a variety of investment topics related to SamCERA's portfolio with the Board. This presentation and discussion was from 9:00 a.m. to 11:45 a.m.

The Board meeting was adjourned for the Board/Staff lunch at 12:00 p.m. and reconvened at 1:15 p.m. Retreat Presentations continued after lunch.

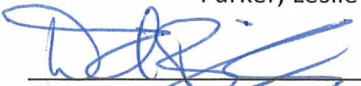
Understanding Certain Medical Conditions Routinely Raised in Disability Applications - Dr. Henry Brodtkin, SamCERA Medical Advisor, discussed this topic with the Board.

Actuarial Presentation - Nick Collier, Milliman, Inc. discussed the processes used to determine assumptions such as Wage Inflation, Longevity, and Mortality.

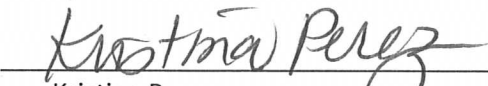
Ad Hoc Benefits - David Bailey and Brenda Carlson gave an overview of the issues surrounding this topic.

Adjournment: With no further business, Ms. Kwan Lloyd adjourned the meeting at 4:50 p.m. 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 VanCantford, 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
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



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary