

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

August 26, 2014

Agenda Item 3.1

July 29, 2014 – 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 Election of Board Officers
 - 1.2 Appointment of Board Committees
- 2. Oral Communications**
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
- 3. Approval of the Minutes**
 - 3.1 Approval of Special Board Meeting Minutes, from June 3, 2014
- 4. Approval of the Consent Agenda * (Set for 1:00 p.m. time certain for disability retirements only)**
 - 4.1 Disability Retirements
 - Hellen Allen
 - Jenny Foster
 - Susan Hartmann
 - Mary Klemish
 - Kimberly Vogt
 - 4.2 Service Retirements
 - 4.3 Continuances
 - 4.4 Deferred Retirements
 - 4.5 Member Account Refunds
 - 4.6 Member Account Rollovers
 - 4.7 Member Lump Sum Annuity Payment
 - 4.8 Approval of Resolution Extending Agreement with Hanson Bridgett
 - 4.9 Approval of Questions for Annual Review for Milliman, Inc.
 - 4.10 Acceptance of Semi-Annual Compliance Certification Statements
 - 4.11 Approval of Questions for Annual Review for Brown Armstrong Accountancy Corporation
 - 4.12 Acceptance of Annual Audit Status Report
 - 4.13 Approval of SamCERA's 2014-2015 Strategic Plan Update
- 5. Benefit & Actuarial Services *(Set for 1:00 p.m. time certain)**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
 - 5.2 Presentation of Milliman's Investigation of Experience Report FY 2012-2014
 - 5.3 Acceptance of Actuarial Auditor's Findings Regarding the Investigation of Experience Study Report FY 2012-2014
 - 5.4 Approval of Milliman's Investigation of Experience Report and Adoption of Report Recommendations
- 6. Investment Services**
 - 6.1 Preliminary Monthly Performance Report for the Period Ending June 30, 2014
 - 6.2 Report on the Value Equity Manager Annual Reviews
 - 6.3 Report on the Growth Equity Manager Annual Reviews
 - 6.4 Approval of Resolution Extending Agreement with Strategic Investment Solutions, Inc.
- 7. Board & Management Support**
 - 7.1 Quarterly Budget Report, for the Period Ending June 30, 2014
 - 7.2 Approval of Resolution Amending Interest Crediting Policy and Medicare Part B Funding
* (Set for 1:00 p.m. time certain)
 - 7.3 Approval of Resolution Revising Board of Retirement Regulations
* (Set for 1:00 p.m. time certain)
- 8. Management Reports**
 - 8.1 Chief Executive Officer's Report
 - 8.2 Assistant Executive Officer's Report
 - 8.3 Chief Investment Officer's Report

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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

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Lamb, Katie	March 28, 2014	Crystal Springs Rehab. Center
Miyaki, Seiko	May 1, 2014	Probation
McCormick, Betty	May 8, 2014	Mental Health
King, Donald	May 21, 2014	Civil Service Commission
Gutfeld, Jacqueline	May 24, 2014	Beneficiary of Gutfeld, Jack
Woonacott, Richard	May 12, 2014	Beneficiary of Woonacott, Gloria
Wolowski, Heddie	May 31, 2014	Hospital
Jung, Fred	June 2, 2014	Information Services
Murphy, Michael	June 3, 2014	County Counsel
Henderson, Lawrence	June 15, 2014	Information Services
Andrejko, Selma	June 19, 2014	Social Services
Dishinger, Momoyo	June 21, 2014	Libraries
Simmons, Elaine	June 25, 2014	Beneficiary of Simmons, Harold

JULY 29, 2014 – REGULAR BOARD MEETING MINUTES

1407.1 **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 10:00 a.m.

Roll Call:

Present: Lauryn Agnew, Sandie Arnott, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello and Eric Tashman (arrived at 12:00 p.m.).

Alternates present: Christopher Miller

Excused: Alma Salas (Alternate)

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

Consultants: Patrick Thomas (SIS) and Nick Collier (Milliman).

1407.1.1 **Election of Board Officers:** Ms. Arnott, Chair of the Ad Hoc Nominating Committee, reported that the Committee had met and recommends the following slate of board officers: Lauryn Agnew, Chair; Paul Hackleman, Vice Chair; and Michal Settles, Secretary. Ms. Kwan Lloyd asked if there were any other nominations, none were heard.

Action: Ms. Arnott moved to approve the recommended slate of officers and to elect Lauryn Agnew, Chair; Paul Hackleman, Vice Chair; and Michal Settles, Secretary, of the Board of Retirement, for the term expiring June 30, 2015. The motion was seconded by Mr. David, and carried with a vote of 8-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Settles and Spinello all in favor; none opposed.

At this time, Ms. Kwan Lloyd handed the gavel to Ms. Agnew, and Ms. Agnew presided as Chair for the remainder of the meeting.

1407.1.2 **Appointment of Board Committees:** Ms. Agnew announced she would make no changes to the Board's committees at this time. However, she said that changes may be made at a future date pending feedback from committee members, and after further discussion regarding the responsibilities of the Investment Committee.

1407.2.1 **Oral Communications From the Board:** Ms. Kwan Lloyd reported her attendance at the CALAPRS Trustee Roundtable in Burlingame on June 13, 2014, and IFEBP's CAPPP II course in San Jose on June 3-4, 2014. Mr. Spinello was also in attendance at the CALAPRS Trustee Roundtable in June. Ms. Agnew reported her attendance at the US Markets 2nd Annual Tri-State Institutional Investors Forum in New York on June 11, 2014.

1407.2.2 **Oral Communications From the Public:** Mr. Miller reported his attendance at the CALAPRS Trustee Roundtable in Burlingame on June 13, 2014, and he also attended the IFEBP CAPPP II course in San Jose on June 3-4, 2014.

1407.3.1 **Approval of Minutes:** Ms. Agnew asked if there were any changes or corrections to the minutes. Item 1.1 (Appointment of Ad Hoc Nominating Committee for Board Officers) on the June 3, 2014, meeting minutes was altered to reflect that Ms. Arnott was appointed as the Chair of the Nominating Committee.

Action: Ms. Arnott made a motion to approve the special meeting minutes from June 3, 2014, with the noted change, and the motion was seconded by Mr. Hackleman. The motion carried with a vote of 7-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello all in favor; none opposed. Ms. Settles was not present at the June 3, 2014, Board meeting and abstained from

this vote.

- 1407.4.0 **Approval of the Consent Agenda:** Ms. Agnew asked if there were any items to be removed from the Consent Agenda. All the disability applications (4.1) were removed from the Consent Agenda to be considered at the time certain of 1:00 p.m.
Action: Mr. Hackleman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Ms. Kwan Lloyd. The motion carried with a vote of 8-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Settles and Spinello all in favor; none opposed.

1407.4.2 **Service Retirements**

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

Member Name	Effective Retirement Date	Department
Baldwin, Beverly	April 16, 2014	Environmental Health
Boone, Jill	April 23, 2014	Deferred from Public Works
Burgess, Janet	May 31, 2014	Tax Collector's Office
Bywaters, Julie	April 24, 2014	Deferred from Courts
Gekakis, Helen	June 1, 2014	Probation
Highlander, Judy	May 17, 2014	Courts
McMillan, Mary	July 27, 2013	County Manager's Office
Palomaria, Abema	April 12, 2014	Deferred from Hospital
Voris, Sheila	May 31, 2014	Human Services Agency

1407.4.3 **Continuances**

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

Survivor's Name	Beneficiary of
McCormick, John	Beneficiary of McCormick, Betty
Jung, Claire	Beneficiary of Jung, Fred
Murphy, Gayle	Beneficiary of Murphy, Michael

Deferred Retirements

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

Member Name	Retirement Plan Type
Layman, Jill	G4 Vested
Mou, Amy	G5 Non Vested – Reciprocity
Phan, Jane	G7 Non Vested – Reciprocity
Miranda, Oscar	G4 Vested – Reciprocity
Argarin, Davey	G4 Non Vested – Reciprocity
Lambert, Michael	G4 Vested - Reciprocity
Mccomas, Megan	G4 Vested
Rosado, Aileen	G4 Vested – Auto Defer
Bertolozzi, Saima	G4 Vested with Reciprocity – Auto Defer
Wallace, Daniel	S4 Vested – Auto Defer
Tran, Hanh	G4 Vested - Reciprocity
Ortiz, Luis A.	P4 Vested

1407.4.4 **Deferred Retirements** (con't)

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

Member Name	Retirement Plan Type
Whitlock, Eugene E.	G4 Vested - Reciprocity
Collins, Gloria	G4 Non Vested - Reciprocity
McMahon, Thomas	G4 Vested - Reciprocity
Holmlund, Christine B.	G4 Vested
Kwok, Kristine Y.	G4 Vested – Reciprocity

1407.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Garcia, Uriel	G4 Vested
Padilla Jr., Rosendo	P4 Vested
Jones, James	G7 Non-vested
Rupp, Vincent	G7 Non-vested
Koenig, Kelly	G4 Non-vested
Ruiz, Juan	G4 Non-vested
Quijada, Ana	G7 Non-vested
Cauyong, Consolacion	G4 Vested

1407.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
Zapparoni, Ceide	G4 Non-vested
Martinez, Rosa	G4 Vested
Freirez, Elena	G4 Vested

1407.4.7 **Member Lump Sum Annuity Distributions**

The Board ratified the actions as listed below for the following members regarding Lump-sum Annuity Distributions:

Member Name	Retirement Plan Type
Bond, Lita	G4 Vested – Reciprocity

1407.4.8 **Approval of Resolution Extending Agreement with Hanson Bridgett:** The Board approved the resolution ratifying execution of the First Amendment to the Agreement with Hanson Bridgett LLP for legal services.

1407.4.9 **Approval of Questions for Annual Review for Milliman, Inc.:** The Board approved the questions for the annual actuarial consultant evaluation as submitted.

1407.4.10 **Acceptance of Semi-Annual Compliance Certification Statements:** The Board accepted the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of June 30, 2014.

- 1407.4.11 **Approval of Questions for Annual Review for Brown Armstrong Accountancy Corporation:** The Board approved the proposed questions for the annual independent auditor evaluation as submitted.
- 1407.4.12 **Acceptance of Annual Audit Status Report:** The Board approved the report on the current status of the June 30, 2014, Financial Audit conducted by Brown Armstrong.
- 1407.4.13 **Approval of SamCERA's 2014-2015 Strategic Plan update:** The Board approved an update to SamCERA's Strategic Plan that was discussed at the June meeting.

The following items were heard by the Board in the order in which they appear below.

- 1407.6.1 **Preliminary Monthly Performance Report for the Period Ending June 30, 2014:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for June was +1.7% and the fiscal year return was +17.3%. This item was informational only and no action was taken.
- 1407.6.2 **Report on the Value Equity Manager Annual Reviews:** Mr. Coultrip reported that staff met with SamCERA's Value Equity Managers, Mondrian and The Boston Company, on June 5, 2014. Staff identified no significant areas of concern in these portfolio reviews. This item was informational only and no action was taken.
- 1407.6.3 **Report on the Growth Equity Manager Annual Reviews:** Mr. Coultrip reported that staff met with SamCERA's Growth Equity Managers (Baillie Gifford, Brown Advisory and Chartwell) on July 10, 2014. During the annual reviews staff addressed the change of strategy with Baillie Gifford, the recent ownership change at Chartwell, and the underperformance of Brown Advisory. This item was informational only and no action was taken.
- 1407.6.4 **Approval of Resolution Extending Agreement with Strategic Investment Solutions, Inc. (SIS):** Mr. Coultrip reviewed the history of the agreement with SIS, and recommended approval to extend the contract for 3 years. He noted there would be a fee increase, the first since 2010, and felt the increase was reasonable in consideration of the work product, which now includes real asset consulting. Board members discussed the contract extension; asked questions about the fee increase and workload; and commented on SIS's performance.
Action: Mr. David moved to approve the resolution extending the agreement with SIS for three years. The motion was seconded by Mr. Hackleman and carried with a vote of 8-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Settles and Spinello all in favor; none opposed.
- 1407.7.1 **Quarterly Budget Report, for the Period Ending June 30, 2014:** Ms. Wong presented the Quarterly Budget Report to the Board. She reviewed the three budget areas, Technology, Administrative and Professional and answered questions from the Board members. This item was informational only and no action was taken.
- 1407.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that SamCERA had once again received certificates of achievement from GFOA for the CAFR and PAFR, and he congratulated Ms. Wong and her staff. He noted that SamCERA is now 70 years old, being founded on July 1, 1944. Mr. Bailey informed the Board that he and Mr. Hood have been attending contract negotiation meetings with some of the bargaining units. He said he would be working with the County Manager's Office to make a housekeeping amendment to the MOU regarding supplemental county contributions and that, due to workload concerns, staff is considering asking for an additional accounting and an additional investment position.

- 1407.8.2 **Assistant Executive Officer's Report:** Mr. Hood let Board members know they could find the latest "forward looking" calendar of events in their folders. He reported talking to Invesco about purchasing a building, and was gathering information on the benefits and risks. Mr. Hood gave an update on the PASS project and the GASB implementation.
- 1407.8.3 **Chief Investment Officer's Report:** Mr. Coultrip stated that training with Northern Trust had been completed and procedures are now automated through online access as opposed to fax. He is also working on the customization and appearance of Northern Trust's monthly performance reports. Mr. Coultrip reported on his due diligence trip to PanAgora with Mr. Brody. He stated the Investment Policy is now updated and posted on the SamCERA website and is being sent to managers. Mr. Coultrip also informed the Board that, consistent with Board Resolution 12-13-04, which allows the CEO the authority to make investment decisions for Alternative Investments of \$25 million or less in consultation with the Board Chair and one member of the Investment Committee, a commitment was made for \$15M to ABRY VIII fund.
- 1407.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported her attendance at the CALAPRS Attorneys Round Table on June 13, that she co-chaired; and she also attended the National Association of Public Pension Attorneys (NAPPA) conference in Nashville in June.

Ms. Agnew adjourned the meeting for a lunch break at 11:35 a.m., the public meeting reconvened at 1:00 p.m. Mr. Tashman arrived during the break and took his seat on the dais when the meeting was reconvened. Ms. Arnott was excused for a portion of the meeting, and was not present when the meeting reconvened.

- 1407.4.1 **Approval of the Consent Agenda; Disability Applications only: (Set for 1:00 p.m. time certain)**
At the time certain of 1:00 pm, the disability applications from the Consent Agenda were considered. The application of Jenny Foster was considered separately, as Ms. Settles abstained.

Action: Mr. Hackleman made a motion to find that Jenny Foster is (1) permanently incapacitated from the performance of her usual and customary duties as a Clinical Services Manager I, (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. The motion was seconded by Mr. David and carried with a vote of 7-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Spinello and Tashman all in favor; none opposed. Ms. Settles abstained from this vote, and Ms. Arnott was not present for this item.

Action: Mr. Hackleman moved to approve the remaining disability applications of Hellen Allen, Susan Hartman, Mary Klemish and Kimberley Vogt. The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Agnew, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

The Board found that Hellen Allen is (1) permanently incapacitated from the performance of her usual and customary duties as a Legal Word Processor, (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.

The Board (1) accepted the proposed findings and recommendations of the Hearing Officer, Roy Abrams, that Ms. Susan Hartmann is permanently incapacitated from the performance of her usual and customary duties as a Lead Office Assistant, (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.

The Board found that Mary Klemish is (1) permanently incapacitated from the performance of her usual and customary duties as a Patient Services Assistant, (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.

The Board found that Kimberly Vogt is (1) permanently incapacitated from the performance of her usual and customary duties as a Communications Dispatcher 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.

- 1407.5.2 **Presentation of Milliman’s Investigation of Experience Report FYs 2012-2014:** Mr. Nick Collier, from Milliman, presented the findings of the experience report. He reviewed the assumptions the Board had adopted in June, and went over the expectations. He reviewed each page of the report with the Board and noted that there was an increase in life expectancy, and that the time to process disabilities had decreased. This item was for discussion only and no action was taken.

Ms. Arnott returned to the Boardroom at 1:34 p.m., at this point in the meeting.

- 1407.5.3 **Acceptance of Actuarial Auditor’s Findings Regarding the Investigation of Experience Study Report FY 2012-2014:** Mr. Hood presented Segal’s “Actuarial Review of 2014 Investigation of Experience” and reviewed Segal’s recommendations. He reported Segal had determined that Milliman’s work for SamCERA had used generally accepted actuarial practices and that all major actuarial functions were properly addressed; and that the assumptions as recommended by Milliman were reasonable to use in SamCERA’s actuarial valuation. Mr. Hood discussed the report with the Board and said that a representative from Segal would be present at the August meeting for further discussion of the report. This item was for discussion only and no action was taken.

- 1407.5.4 **Approval of Milliman’s Investigation of Experience Report and Adoption of Report Recommendations:**

Action: Mr. Tashman moved to approve Milliman’s Investigation of Experience Report for FYs 2012-14 and to approve a resolution adopting recommended changes to assumptions based on the same report. The motion was seconded by Ms. Settles 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.

- 1407.7.2 **Approval of Resolution Amending Interest Crediting Policy and Medicare Part B Funding (Set for 1:00 p.m. time certain):** Mr. Bailey stated that prior to the meeting, outreach to all effected stakeholders (SCORPA retirees, union representatives, employer leadership) had been undertaken by staff regarding this item and its impact for members. He noted there were three actions contained in the staff recommendation – changes to the crediting policy to properly credit interest from the County’s supplemental contributions, the elimination of the crediting of “excess earnings” to a Supplemental Benefits reserve for the payment of the Medicare Part B reimbursements that had been previously discontinued, and clarifying and simplifying the language within the Interest Crediting policy. There was discussion about the term “excess earnings” and how at this time, no earnings are considered “excess” but are necessary for the stability and continuity of the fund. Linda Bruzzon, President of the San Mateo County Retired Personnel Association (SCORPA) and retiree Steve Perry addressed the Board.

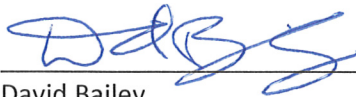
Action: Ms. Settles moved to approve a resolution revising SamCERA’s Interest Crediting Policy. The motion was seconded by Mr. Tashman and carried by a vote of 9-0 with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

1407.7.3 **Approval of Resolution Revising Board of Retirement Regulations** (Set for 1:00 p.m. time certain): Mr. Bailey went over the changes proposed to the Board of Retirement regulations with Board members, stating many of the changes are to be in compliance with the IRS determination letter and changes resulting from PEPRA legislation. Other changes included adjusting the start time of Board meetings to 10:00 a.m., defining who is an “employee” in regard to the County’s agile work force, updating the plan designations, eliminating the “air time” service credit (ARC) and military time purchase options, and reconciling language that designates domestic partners and spouses.

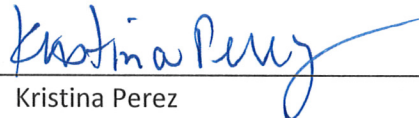
Action: Mr. Hackleman moved to approve a resolution to revise and renumber the existing Board of Retirement Regulations, and to add Article I “Purpose, Scope and Amendments” and Article VIII “Internal Revenue Code Compliance.” The motion was seconded by Mr. David and carried by a vote of 9-0 with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

1407.10 **Adjournment:** Ms. Agnew adjourned the meeting at 2:12 p.m. in memory of the following deceased members:

Lamb, Katie	March 28, 2014	Crystal Springs Rehab. Center
Miyaki, Seiko	May 1, 2014	Probation
McCormick, Betty	May 8, 2014	Mental Health
King, Donald	May 21, 2014	Civil Service Commission
Gutfeld, Jacqueline	May 24, 2014	Beneficiary of Gutfeld, Jack
Woonacott, Richard	May 12, 2014	Beneficiary of Woonacott, Gloria
Wolowski, Heddie	May 31, 2014	Hospital
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Simmons, Elaine	June 25, 2014	Beneficiary of Simmons, Harold



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary