

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**JUNE 9, 2015 – REGULAR BOARD MEETING MINUTES**

1506.1 **Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Ms. Lauryn Agnew, Chair, called the Regular Meeting of the Board of Retirement to order at 10:15 a.m.

**Roll Call:**

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

*Excused:* Sandie Arnott

*Alternates present:* Alma Salas

*Staff:* Scott Hood, Michael Coultrip, Brenda Carlson, Tariq Ali, Doris Ng, Elizabeth LeNguyen, Barbara Edwards, and Kristina Perez.

*Consultants:* Jonathan Brody, Margaret Jadallah and Faraz Shooshani (SIS), Nick Collier (Milliman, Inc.)

1506.1.1 **Appointment of Ad Hoc Nominating Committee for Board Officers:** Ms. Agnew announced the following appointments the Ad Hoc Nominating committee: Ben Bowler, Natalie Kwan Lloyd, with Sandie Arnott serving as the Chair.

1506.2.1 **Oral Communications From the Board:** Ms. Settles reported her attendance at the Wharton Investment Course offered by IFEBP, titled "Portfolio Concepts and Management," held in Philadelphia, April 27-30, 2015. Ms. Settles, Mr. Spinello and Ms. Agnew all reported their attendance at the SACRS Spring Conference, held in Anaheim, May 12-15, 2015. Ms. Agnew also attended the 4th Annual P3 Infrastructure Summit, in San Francisco on June 4-5, 2015.

1506.2.2 **Oral Communications From the Public:** Ms. Salas reported her attendance at the GFOA Annual Conference and Pre-Conference sessions, held in Philadelphia, on May 29-June 3, 2015.

Susan Lee, a candidate for the Seventh Seat on the Board of Retirement was introduced.

Tat-ling Chow, recently hired as SamCERA's Retirement Finance Officer was introduced.

Elizabeth LeNguyen's promotion to Benefits Manager was announced to the Board.

1506.3.1 **Approval of Special Board Meeting Minutes from April 28, 2015**

1506.3.2 **Approval of Special Board Meeting Minutes from April 29, 2015**

Ms. Agnew asked if there were any changes or corrections to the two sets of Special Meeting Minutes from April 28 and 29, and there were none.

**Action:** Mr. Hackleman moved to approve the minutes from the Special Meeting on April 28<sup>th</sup>, and to also approve the Special Meeting minutes from April 29, 2015; and the motion was seconded by Mr. Spinello. The motion carried with a vote of 6-0-1, with trustees Agnew, Bowler, Hackleman, Kwan Lloyd, Spinello and Tashman all in favor; none opposed. Ms. Settles abstained, as she was not present at the April meetings.

1506.4.0 **Approval of the Consent Agenda:** Ms. Agnew asked if there were any items to be removed from the Consent Agenda, and there were no items removed for discussion.

**Action:** Ms. Settles 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 7-0, with trustees Agnew, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

1506.4.1 **Disability Retirements:**

- a) The Board found that Elena Albaniel is permanently disabled from the duties of a Legal Secretary II and granted survivor benefits, pursuant to Government Code § 31781.1, to her surviving spouse, Francisco Albaniel.
- b) The Board found that Lidia Garcia is (1) permanently incapacitated for the performance of her usual and customary duties as a Medical Services Assistant I, (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.
- c) The Board found that Ronald Robinson is (1) permanently incapacitated for the performance of his usual and customary duties as an Office Assistant II, (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
- d) The Board denied the disability retirement application submitted by Vivian Estevez pursuant to Government Code §31722.

1506.4.2 **Service Retirements:**

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Addae, Richard Kojo	March 31, 2015	Deferred from Hospital
Andersen, Stephen C	April 1, 2015	Assessor
Bailey, David	April 1, 2015	SamCERA
Bazan, Deborah J	March 25, 2015	Sheriff's
Bertheau, Crystal M	May 1, 2015	Deferred from Assessor's
Brake, Karen L	March 21, 2015	Superior Court
Broocker, Richard E	March 27, 2015	Sheriff's
Burwell, Sherri L	May 1, 2015	Behavioral Health
Byrnes, James W	March 26, 2015	Sheriff's
Carr, Katherine J.	March 28, 2015	Deferred from SMC
Chenhansa, Peilin	March 28, 2015	Human Services Agency
Coelho, Ariosto J	April 1, 2015	Behavioral Health
Delmundo, Rosalinda	March 31, 2015	Medical Center
Demattei, Joann	April 1, 2015	Probation
Diaz, Mario C	March 31, 2015	Human Services Agency
Durkin, Steven J	April 1, 2015	Parks
Duvall, Deborah Mary	March 27, 2015	Probation
Eatmon, Gregory L	May 1, 2015	Sheriff's
Erickson, David	March 28, 2015	Human Services Agency
Estrada, Eduardo R	April 1, 2015	Sheriff's
Farmer, Juanita	March 31, 2015	Medical Center
Fischer, Stephen V	March 31, 2015	Public Works
Fong, Marsha E	April 1, 2015	Aging and Adult Services
Frayne, Timothy R	March 29, 2015	Sheriff's
Galassi, Patrick A	April 25, 2015	Deferred from ISD
Garrison, Gloria A	March 27, 2015	Sheriff's
Gee, Samson N	March 28, 2015	District Attorney
Glembot, Pamela A	March 31, 2015	Sheriff's
Goldberg, Wendy A	April 1, 2015	Human Services Agency
Guterres, Miguel A	April 1, 2015	Aging and Adult Services
Gutierrez, Louisa C	March 28, 2015	Tax Collector

**Service Retirements** (Con't):

Hansen, Anita J	April 1, 2015	Deferred from Mental Health
Hollister, David A	March 28, 2015	Sheriff's
Issler, Jay A	April 1, 2015	Behavioral Health
Jarabe, Rolando Vizcarra	March 31, 2015	Medical Center
Johnston, Deborah A	March 28, 2015	Medical Center
Joy, John F	April 1, 2015	Human Services Agency
Kong, Nancy Li	March 28, 2015	Human Services Agency
Krup, Jeffery L	April 1, 2015	Aging and Adult Services
Latu, Uila M	March 28, 2015	Superior Court
Li, Ming Yuk	April 1, 2015	Assessor
Ligibel, Douglas M	March 25, 2015	Human Services Agency
Lopez, Andrea G	March 3, 2015	Medical Center
Love, Martin R	March 29, 2015	Sheriff's
Macey, Sandra L	March 28, 2015	Revenue Services
Mantooth, Phyllis L	April 9, 2015	Deferred from Probation
Markham, Susan	March 28, 2015	Probation
Maxwell, Susan E	March 28, 2015	Superior Court
Mayfield, Sammy D	April 1, 2015	Sheriff's
Melas, Eleni D	April 1, 2015	Superior Court
Miller, Janet L	March 31, 2015	Planning & Building
Milner, Denise	March 28, 2015	Housing
Montufar, Francisco E	March 28, 2015	Environmental Health
Ogawa, Wayne	April 1, 2015	Assessor
Parra, Manuel	March 28, 2015	Deferred from HSA
Pastorelli, Lori L	April 1, 2015	CMO
Payette, Christine M	March 31, 2015	Deferred from District Attorney
Petterson, Susan E	March 29, 2015	Medical Center
Pfeiffer, Stephen	March 2, 2015	Correctional Health
Puckett, Angel D	March 28, 2015	County Counsel
Quinlan, John F	April 1, 2015	Sheriff's
Reid, Timothy C	March 28, 2015	Sheriff's
Roderick, Linda P	March 28, 2015	Library
Schneider, Leslie E	March 21, 2015	Superior Court
Shalhoob, Napoleon M	March 11, 2015	Sheriff's
Smith, Patricia A	March 31, 2015	Medical Center
Villarin, Irving R	April 1, 2015	Human Services Agency
Woods, Joan M	March 31, 2015	Superior Court
Wright, Kevin L	March 15, 2015	Probation
Wyss, Mark S	March 28, 2015	Sheriff's
Yu, Marina	March 28, 2015	Housing
Zall, Susan D	March 9, 2015	Probation
Zamora, Brian J	March 31, 2015	Family Health

1506.4.3 **Continuances:**

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

<b>Survivor's Name</b>	<b>Beneficiary of</b>
Bolger, Harold	Laura M Bolger
Kirkland, Jourdain	Thelma Shaw
Reed, Karen	Robert J Reed
So, Muriel	James G So
Trindle, Catherine	Gregory C Trindle
Tzifas, Chris Peter	Katina Tzifas

1506.4.4 **Deferred Retirements:**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Abrazaldo, Walter A.	Non-Vested, G7 - Reciprocity
Balabis, Joseph O.	Vested, G4
Barberini, Edmund L.	Vested, S2 - Reciprocity
Bautista-Rao, Cara	Non-Vested, G7 - Reciprocity
Borst, Angel	Vested, G4 - Reciprocity
Claussen, Kimberly, I.	Vested, G4 - Reciprocity
Datt, Ateesh B.	Vested, G4 - Reciprocity
Duncan, Joseph D.	Non-Vested, G7 - Reciprocity
Fadrilan, Maria C.	Vested, G4
Feinberg, Todd J.	Vested, G4 - Reciprocity
Gee, Sharon L.	Non-Vested, G3 - Reciprocity
Greenberg, Susan	Vested, G4 - Reciprocity
Kalimuthu, Rajalakshmi	Non-Vested, G5 - Reciprocity
Kwok, Yin M.	Vested, G4
Lam, Peter	Vested, G4 - Reciprocity
Lee, Sandra D.	Vested, G4
Lum, Benjamin	Non-Vested, G5 - Reciprocity
Lynn, Rebecca	Vested, G4 - Reciprocity
Razo, Sandra	Vested, G4
Ruiz, Felicitas R.	Vested, G4 - Reciprocity
Sajuthi, Anastasia	Vested, G4
Tam, May	Vested, G4
Velasco, Raymond	Vested, G4

1506.4.5 **Member Account Refunds:**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Bernarte, Yolanda	G4, Vested
Halmagean, Danny	G4, Vested
Kambic, Samantha	G7, Non-vested
O'Keeffe, Keirsty	G4, Non-vested

1506.4.6 **Member Account Rollovers:**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Magni, Kathryn	G4, Vested

1506.4.7 **Approval of Audit Engagement Letter:** The Board authorized the Chief Executive Officer and the Audit Committee Chair, Mr. Eric Tashman, to execute the Audit Engagement Letter for the June 30, 2015, Financial Statement Audit.

1506.4.8 **Acceptance of Staff Report on Prepayment of Employer Contributions:** The Board accepted the report on the prepayment of \$155,978,604 in employer contributions for fiscal year 2015-2016.

1506.4.9 **Ratification of Staff's Action to Acquire Fiduciary Liability Insurance:** The Board approved staff's acquisition of fiduciary liability insurance on behalf of the Board for the period 5/27/15 to 5/27/16.

1506.4.10 **Education Provider Approval Requests:** The Board approved the education providers as requested by Trustee Ben Bowler, and approved the education provider and cost reimbursement as requested by Trustee Lauryn Agnew.

1506.5.2 **Consideration and Direction to Milliman, Inc., Regarding Assumptions to be used in the June 30, 2015 Actuarial Valuation:** Nick Collier, of Milliman, Inc., reviewed the assumptions with the Board. No changes were recommended by Milliman, Inc. to any of the assumptions that were used in the last valuation. The Board discussed the report with Mr. Collier and staff; topics discussed included: GASB 67 and 68 impact on net pension liability, accounting of the County's extra contributions, assumption rates and funding status, future changes in the assumption rate, long term stability of the fund, and models of other scenarios.

**Action:** Mr. Hackleman moved to accept the recommendation, making no changes to the economic and demographic actuarial assumptions to be used in the June 30, 2015 actuarial valuation. The motion was seconded by Mr. Spinello. The motion carried by a vote of 6-1 with trustees Agnew, Bowler, Hackleman, Kwan Lloyd, Settles, and Spinello, in favor; with Tashman opposed.

Ms. Settles was excused from the remainder of the meeting at 11:17 a.m.

1506.6.1 **Preliminary Monthly Performance Report for the Period Ending April 30, 2015:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for April 2015 was +1.3%, while the preliminary trailing twelve month return was +7.6% net. This item was informational only and no action was taken.

1506.6.2 **Quarterly Investment Performance Report for the Period Ending March 31, 2015:** Mr. Coultrip introduced the Quarterly Investment Performance Report. Ms. Jadallah and Mr. Brody went over the quarterly report, page by page, reviewing managers' performances and discussing details of the report with the Board. The net 1st quarter total return for the SamCERA portfolio was +2.9%. This item was informational only and no action was taken.

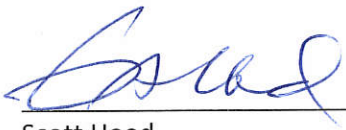
Ms. Agnew adjourned the meeting for lunch at 11:56 a.m. The meeting reconvened at 12:29 p.m. The remaining agenda items were heard by the Board out of order. They were considered in the order they appear below.

- 1506.7.2 **Discussion and Approval of SamCERA 2015-16 Budget:** Ms. Chow presented the FY 2015-16 Budget to the Board and reviewed the changes to the Professional, Administrative and Technology budgets. Two actions were taken on this item.  
**Action:** Ms. Kwan Lloyd moved to approve the appropriation transfer request to move \$18,000 from “Transportation and Lodging” to “Salaries” to cover the shortfall due to the terminal pay remitted to the former CEO. The motion was seconded by Mr. Hackleman and carried with a vote of 6-0, with trustees Agnew, Bowler, Hackleman, Kwan Lloyd, Spinello and Tashman all in favor, none opposed.  
**Action:** Mr. Hackleman moved to approve SamCERA’s 2015-16 Budget totaling \$32.4 million. The motion was seconded by Mr. Spinello and carried with a vote of 6-0, with trustees Agnew, Bowler, Hackleman, Kwan Lloyd, Spinello and Tashman all in favor, none opposed.
- 1506.6.3 **Approval to Change Parametric’s Emerging Markets Equity Strategy to an Emerging Markets Equity Core Strategy:** Mr. Coultrip discussed the proposed transfer of SamCERA’s investment in the Parametric EM Equity Strategy to the Parametric EM Core Equity Strategy. He explained that although the EM Equity product has performed well over time, the benefits of adding frontier markets do not appear to compensate for the higher fees as compared to the EM Core Equity product.  
**Action:** Mr. Tashman moved to approve the recommendation to transfer in its entirety, SamCERA’s investment (\$70.8 million as of April 30<sup>th</sup>, 2015) in the Parametric Emerging Markets Equity Fund (Emerging Equity Fund) to the Parametric Emerging Markets Equity Core Fund (Emerging Equity Core Fund). The motion was seconded by Ms. Kwan Lloyd, and carried with a vote of 6-0, with trustees Agnew, Bowler, Hackleman, Kwan Lloyd, Spinello and Tashman all in favor, none opposed.
- 1506.6.4 **Approval to Change Western’s Core Plus Bond Strategy to a Total Return Unconstrained (TRU) Strategy:** Mr. Coultrip and Mr. Zhu explained the proposed changes to the Board. They stated that Western Asset’s Total Return Unconstrained strategy (TRU) seeks to provide bond-like risk and return over the long term, and is not managed to a benchmark. The change would allow for asset allocation based on value rather than on the construction of a benchmark. This change would also offer some protection when interest rates rise.  
**Action:** Mr. Tashman moved to approve the recommendation to close the Western Asset Management Core Full Discretion (Core-Plus) separate account, and use the proceeds to invest \$100 million into the Western Total Return Unconstrained (TRU) LLC Fund, and move the remaining balance (approximately \$30 million) to the Pyramis Broad Market Duration fund. The motion was seconded by Mr. Bowler and carried with a vote of 5-0-1, with trustees Agnew, Bowler, Hackleman, Spinello and Tashman all in favor, none opposed. Ms. Kwan Lloyd was out of the room at the time of the vote.
- 1506.6.8 **Approval of Purchase of Alternative Investment (Heard in closed session):** The Board adjourned into Closed Session at 1:15 p.m. to discuss this item. The meeting was reconvened at 1:40 p.m. and Brenda Carlson reported the following action taken by the Board in closed session.  
**Action:** A motion was made and seconded to approve an investment in the amount of \$15 million for Catalyst Capital Fund V. The motion carried with a vote of 5-1, with trustees Bowler, Hackleman, Kwan Lloyd, Spinello, and Tashman, all in favor; and with trustee Agnew opposed.
- Mr. Bowler was excused at 1:40 p.m. for the remainder of the meeting.
- 1506.6.7 **Presentation of Private Equity Semi-Annual Performance Report as of December 31, 2014:** Mr. Shooshani presented the report on private equity and discussed the performance of the investments with the Board. This item was informational and for discussion only. No action was taken.

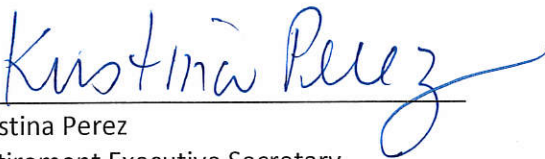
- 1506.6.5 **Report on the Annual Review of SamCERA's Core Equity Managers:** Ms. Jadallah reported that representatives from Blackrock and D.E. Shaw, met with staff on May 7<sup>th</sup> for their annual reviews. There were no major concerns identified during either of the reviews. It was noted that Blackrock had reduced fees from 3 basis points to 2. This item was informational and for discussion only. No action was taken.
- 1506.6.6 **Report on Diversifying/Hedge Fund Strategy Short-List Candidate Analysis:** Mr. Coultrip updated the Board on the search for a strategy that would best complement the AQR Delta Strategy in order to reach the target allocation in the hedge fund category. A list of candidates had been narrowed down to three, and questionnaires would be sent to those managers, with an update coming to the Board in August after due diligence. This item was informational and for discussion only. No action was taken.
- 1506.7.1 **Preliminary Financial Report for the Period Ending March 31, 2015:** Ms. Wong reported SamCERA's net position restricted for pension as of March 31, 2015, totaled \$3.47 billion, representing an increase of approximately \$184.5 million, attributed mostly to the employer contribution (prepayment and supplemental) of \$93 million, and market appreciation of assets. This item was informational only and no action was taken.
- 1506.7.4 **Report on SamCERA's Website Redesign:** Digital Deployment, SamCERA's selected vendor for the website redesign gave a demonstration of the new website (still under construction) to the Board. The presentation, given by Mac Clemmens, CEO, Carsen Anthonisen, VP Client Services, and Rocky Martin, Business Development Manager, was helpful to show Board members and staff a preview of the look, feel, and navigation of the new website. The launch is expected in late July. This item was informational only and no action was taken.
- 1506.7.3 **Report on SamCERA's Information Technology Projects:** Mr. Ali reviewed the progress of the various IT related projects, including the Workday integration, Web Member Services, and the Accela Agenda Management software. Will Morrow updated the Board on the PASS project progress. This item was informational only and no action was taken.
- 1506.8.1 **Chief Executive Officer's Report:** Mr. Hood went over the "Day of Meeting" folder contents with the Board calling attention to a sample of a travel request agenda item; as well as updating the Board on the current office space lease. He let the Board know a new trustee handbook was being created, and told them to expect to see a revised Code of Conduct coming before the Board at a future meeting.
- Ms. Kwan Lloyd left the Board room at 3:03 p.m. and was excused for the remainder of the meeting. Ms. Kwan Lloyd's departure resulted in there being no quorum of Board members remaining; and thus the meeting was officially adjourned at 3:03 pm, the time when Ms. Kwan Lloyd exited the meeting. Staff continued to give reports and no other action was taken.
- 1506.8.2 **Assistant Executive Officer's Report:** None.
- 1506.8.3 **Chief Investment Officer's Report:** Mr. Coultrip called the Board's attention to a graph included in the "Day of Meeting" folder comparing the investment plan policy to a 60/40 strategy. He also stated that there would be an education session upcoming on the topic of "Smart BETA." He also noted that Northern Trust would be compiling an "x-ray" report on the equity portfolio to show current factor exposures.
- 1506.8.4 **Chief Legal Counsel's Report:** Ms. Carlson discussed a new pension-related voter initiative submitted to the Secretary of State for a title and summary. She will update the Board of this initiative's progress.

1506.10 **Adjournment:** Ms. Agnew adjourned the meeting at 3:10 p.m. in memory of the following deceased members:

Robberson, Dicksie	April 13, 2015	Social Services
Reed, Robert	April 18, 2015	Sheriff's
Blake, Jo Ella	April 21, 2015	Chope Hospital
Contreras, Antonio	May 2, 2015	Housekeeping
Langley-Waller, Virginia	May 7, 2015	Probation
Newport, Sylvia	May 14, 2015	Long Term Care
Brown, Robert	May 16, 2015	Sheriff's
Cowen, Audrey	May 16, 2015	Recorder



Scott Hood  
Chief Executive Officer



Kristina Perez  
Retirement Executive Secretary