

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JULY 28, 2015 – REGULAR BOARD MEETING MINUTES

1507.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Paul Hackleman, Vice Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Sandie Arnott, Paul Hackleman, Natalie Kwan Lloyd (arrived at 10:05 a.m.), Michal Settles, David Spinello, Eric Tashman and Shirley Tourel.

Excused: Lauryn Agnew, Ben Bowler.

Alternates present: Alma Salas, Susan Lee.

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Al David, Tat-ling Chow, Lilibeth Dames, Doris Ng, Elizabeth LeNguyen, Barbara Edwards, and Kristina Perez.

Consultants: Jonathan Brody, Margaret Jadallah, John Meier and John Nicolini (SIS)

- 1507.1.1 Administration of the Oath of Office to Newly Elected Trustees:** Sergeant Anthony Torres of the San Mateo County Sherriff's Office administered the Oath of Office to newly elected Trustees Shirley Tourel, Susan Lee and David Spinello.
- 1507.1.2 Election of Board Officers:** Ms. Arnott announced the nominations for Board officers from the Ad Hoc Nominating Committee. The Committee (Ben Bowler, Natalie Kwan Lloyd and Sandie Arnott) nominated the following slate of Board officers: Paul Hackleman, Chair; Michal Settles, Vice Chair, and Natalie Kwan Lloyd, Secretary. Mr. Hackleman asked if there were any other nominations and none were noted.
Action: Mr. Tashman moved to elect Paul Hackleman, as Chair, Michal Settles, as Vice Chair, and Natalie Kwan Lloyd as Secretary of the Board of Retirement, for the 2015-16 term of office. The motion was seconded by Mr. Spinello and carried with a vote of 7-0 with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1507.1.3 Appointment of Board Committees:** Mr. Hackleman stated that this term's committee assignments would be announced at the August 25, Board Meeting.
- 1507.2.1 Oral Communications From the Board:** Ms. Settles reported her attendance at Pension Bridge in Chicago, July 19-21, 2015; and Ms. Arnott reported her attendance at GFOA in Philadelphia, May 31-June 3, 2015.
- 1507.2.2 Oral Communications From the Public:** None.
- 1507.3.1 Approval of Special Board Meeting Minutes from June 9, 2015:** Mr. Hackleman asked if there were any changes or corrections to the Special Board Meeting Minutes, from June 9, and there were none.
Action: Ms. Kwan Lloyd moved to approve the minutes from the Special Meeting of June 9, 2015; and the motion was seconded by Mr. Spinello. The motion carried with a vote of 7-0 with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1507.3.2 Approval of Regular Board Meeting Minutes from June 9, 2015:** Mr. Hackleman asked if there were any changes or corrections to the Regular Board Meeting Minutes, from June 9, and there were none.
Action: Ms. Kwan Lloyd moved to approve the minutes from the Regular Meeting of June 9, 2015; and the motion was seconded by Mr. Spinello. The motion carried with a vote of 6-0-1 with trustees Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed. Ms. Arnott abstained, as she was not present at the June 9, Regular Meeting.
- 1507.4.0 Approval of the Consent Agenda:** Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and there were no items removed for discussion.

Action: Mr. Spinello moved to approve the Consent Agenda, and the motion was seconded by Ms. Settles. The motion carried with a vote of 7-0 with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.

1507.4.1 **Disability Retirements:**

- a) The Board found that Nichole Guerrero is (1) permanently incapacitated for the performance of her usual and customary duties as a Fiscal Office Specialist, (2) found that her disability was not a result of an injury arising out of and in the course of her employment, (3) denied her application for a service-connected disability retirement, and (4) granted her a non-service-connected disability retirement.
- b) The Board found that Andrea Lopez is (1) permanently incapacitated for the performance of her usual and customary duties as a Medical 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.

1507.4.2 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Del Rosario, Flordeliza	May 8, 2015	Deferred from Medical Center
Frye, Lisette	May 22, 2015	Deferred from Medical Center
Kiser, Marilee	June 1, 2015	Deferred from Medical Center
Lamarr, Shirley	May 30, 2015	Correctional Health
Quizon, Julie	May 30, 2015	Medical Center
Staples, Suzanne	May 23, 2015	Superior Court
Ward, Linda	May 16, 2015	Medical Center

1507.4.3 **Continuances:**

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

Survivor's Name	Beneficiary of
Alvarez, Julio	Alvarez, Marita
Contreras, Adela	Contreras, Antonio

1507.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Furniss, Christopher	G7 Non Vested - Reciprocity
Girmaldi, Jenna	S5 Non Vested - Reciprocity
Cardona, Sara	P4 Vested - Reciprocity
Heinz, Cristina	G4 Vested
Underwood, Galen	S4 Vested – Auto Defer
Huguet, Ana	G4 Vested – Auto Defer
Cornejo, Maria G.	G4 Vested – Auto Defer
Crosetti, Tiffany	G4 Vested – Auto Defer
Emerson, Diana	3 Vested – Auto Defer
Saenz, Elsa	G4 Non Vested – Reciprocity
Robles, Katalin	G4 Vested – Reciprocity
Jacobs, Andrea	P4 Vested – Reciprocity
Guerrero, Isabel R	3 Vested - Reciprocity

1507.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Abad, Jorge	G4, Vested
Almeida, Meredith	G7, Non-vested
Carter, Kenneth	G7, Non-vested
Cleveland, Mitzi	G4, Vested
Icaza, Marisol	G7, Non-vested
Jennings, Trina	G4, Vested
King, Michelle D.	G7, Non-vested
Lucero, Gilbert	G4, G5, Non-vested
Miller, Jerry	G1, Non-vested
Ochoa, Saman	P7, Non-vested
Orellana, Johana	G7, Non-vested
Rizzo, Eileen	G4, Vested
Suruki, Lani	G4, Vested
Tomilloso, Steve	G5, Vested

1507.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Ahmed, Samira	G7, Non-vested
Alarcon, Lance	G7, Non-vested
Brown, Carson	G4, Non-vested
Chock, Paul	G4, Non-vested
Hutton, Lynn	G7, Non-vested
Montgomery, Linda	G4, Vested
Sakuma, Jonathan	S5, Non-vested

1507.4.7 **Approval of Questions for Annual Review of Milliman, Inc.:** The Board approved staff's proposed "Questions for Annual Actuarial Consultant Evaluation."

1507.4.8 **Approval of Questions for Annual Review of Brown Armstrong Accountancy Corporation:** The Board approved staff's proposed "Questions for the Annual Evaluation of SamCERA's Independent Auditor."

1507.4.9 **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, 2015.

1507.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.

1507.5.2 **Approval of Actuarial Assumptions for the June 30, 2015 Actuarial Valuation:** Mr. Hood presented the staff report and explained that this item is the approval of the actuarial assumptions reviewed and discussed with the actuary at the last meeting. No changes had been recommended by Milliman, Inc. to any of the assumptions that were used in the last valuation.

- 1507.5.2 **Action:** Ms. Settles moved to adopt Milliman, Inc.'s recommended demographic and economic actuarial assumptions to be used in the June 30, 2015, actuarial valuation. The motion was seconded by Ms. Kwan Lloyd and carried by a vote of 7-0 with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1507.5.3 **Acceptance of Revisions to Three Exhibits to the GASB 67 and 68 Disclosure Report:** Mr. Hood explained that during the implementation of GASB 68 some figures were reversed on the disclosure report. Employers will receive a memorandum about the revision. Brown Armstrong has stated this had no impact on SamCERA's basic financial statements and the revised GASB schedules would not impact Brown Armstrong's unqualified/clean opinion provided in October 2014.
Action: Ms. Arnott moved to accept the proposed revisions to the following exhibits included in Milliman, Inc.'s GASB 67 and 68 Disclosure Report for the Fiscal Year Ended June 30, 2014: "Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan", "Differences in Contributions", and "Employers' Pension Expense." The motion was seconded by Ms. Kwan Lloyd and carried with a vote of 7-0 with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1507.6.1 **Preliminary Monthly Performance Report for the Period Ending June 30, 2015:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for June was -1.2%, and the preliminary fiscal-year ending June 30, 2015 return to +3.3% net (+3.5% gross). This item was informational only and no action was taken.
- 1507.6.2 **Report on the Value Equity Manager Annual Reviews:** Ms. Dames reported on the annual review meetings held with managers Barrow Hanley (June 4, 2015), Mondrian and The Boston Company (June 11, 2015). She stated each annual review meeting lasted approximately 1.5 hours, and there were no major concerns identified during the reviews. This item was informational only and no action was taken.
- 1507.6.3 **Report on the Growth Equity Manager (Baillie Gifford and Chartwell) Annual Reviews:** Mr. Coultrip reported on the July 2nd meetings with growth equity managers, Baillie Gifford and Chartwell. He stated each annual review meeting lasted approximately 1.5 hours, and there were no major concerns identified during the reviews. This item was informational only and no action was taken.
- 1507.6.4 **Approval of Implementation Plan for Transition from Western's Core-Plus Strategy to Western's Total Return Unconstrained Strategy:** Mr. Coultrip presented the staff report, which is a follow-up to the Board's approval last month to change SamCERA's investment in Western's Core-Plus Bond strategy to the TRU (Total Return Unconstrained) strategy. Mr. Coultrip stated staff and SamCERA's consultants have recommended utilizing a performance fee structure for this investment. The risks and benefits of this fee structure were discussed.
Action: Mr. Tashman moved to approve the staff and consultant recommendation to utilize a performance fee structure for the \$100 million investment in Western's Total Return Unconstrained (TRU) product. The motion was seconded by Ms. Arnott and carried with a vote of 7-0, with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1507.6.5 **Update on SIS Capital Market Assumptions:** John Meier and Jonathan Brody, of SIS, presented SIS' report summarizing their latest capital market assumptions, describing current market trends, and summarizing potential asset allocation modifications to the target policy portfolio. This item was informational only and no action was taken.

Mr. Hackleman adjourned the meeting into closed session at 11:40 a.m.

1507.6.6 **Discussion and Approval of Proposed Alternative Investment (Confidential Under Gov. Code §54956.81 and §6254.2):** The meeting was reconvened at 12:08 p.m. Ms. Carlson reported the following action taken in closed session for agenda item 6.6, in regard to the purchase of an alternative investment.
Action: A motion was made, and seconded, approving an investment of \$15 million in Blue Road Capital Limited Partnership. The motion carried with a vote of 6-0-1, with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, and Tourel all in favor; none opposed. Mr. Tashman abstained as he was excused during the closed session discussion.

At the end of the Investment Services segment, SIS gave a brief update of the status of the firm. No questions were asked and no action was taken. The Chair noted that a discussion of this matter will be placed on the agenda of a future Board meeting.

Mr. Hackleman adjourned the meeting for lunch at 12:10 p.m. and the meeting was reconvened at 12:35 p.m.

1507.7.1 **Preliminary Report on Budget-to-Actual for the Fiscal Year Ended June 30, 2015:** Ms. Chow reviewed the budget-to-actual report with the Board members. This item was informational only and no action was taken.

1507.7.2 **Approval of SamCERA's 2015-2016 Strategic Plan:** Mr. Hood went over SamCERA's Strategic Plan with the Board, noting work items that have been added. He stated that staff would prepare quarterly updates of the Strategic Plan going forward.

1507.7.3 **Approval of Required Use of "Confidential Records and Information" Form:** Mr. Hood discussed the purpose behind the new form, stating many records at SamCERA contain confidential information that is viewed by staff and trustees. The proposed form requires the signer to acknowledge that certain information in SamCERA's records is confidential and should not be disclosed.
Action: Ms. Kwan Lloyd moved to approve the required use of "Confidential Records and Information" form by Board of Retirement members. The motion was seconded by Ms. Settles and carried with a vote of 7-0 with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.

1507.7.4 **Approval of Resolution Adopting the Board of Retirement's "Code of Conduct":** Mr. Hood presented the proposed revised Code of Conduct, which details elements of the previous Code of Conduct and adds more specificity. Ms. Carlson answered Board members' questions with regard to ethics training.
Action: Ms. Settles moved to approve the resolution adopting the Board of Retirement's Code of Conduct as presented. The motion was seconded by Mr. Spinello and carried by a vote of 7-0 with trustees Arnott, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.

1507.8.1 **Chief Executive Officer's Report:** Mr. Hood updated the Board on SamCERA's space and the ongoing communications regarding the lease. He reported a concern in the PASS project related to data cleansing that may increase costs of the project.

1507.8.2 **Assistant Executive Officers' Report:** Ms. Smith informed the Board that member statements were being mainlined and presented an information graphic of statistics related to member demographics. She gave statistics comparing the number of member hires, terminations, disabilities and deaths over the current and past fiscal years. Mr. David gave a progress report on the status of the audit by Brown Armstrong. He stated that preparation for the CAFR would start soon, and that the new website was nearing completion. Mr. David also reported on the major changes expected when the County moves from Groupwise to Outlook. He provided a preliminary report on trustee and staff travel expenses in the "Day of Meeting" folder.

1507.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that staff would meet with Brown Advisory for their annual review on July 29, 2015. He also informed the Board that Zeno Consulting would be coming to give the Board a soft dollar educational presentation next month. Next, he updated the Board on the status of the absolute return / hedge fund short-list analysis, stating that a number of providers have been sent a due diligence questionnaire and that all responses should be received by the next Board meeting. Lastly, Mr. Coultrip stated that SIS would provide an educational session on factor-based investing and smart beta during the August Board meeting.

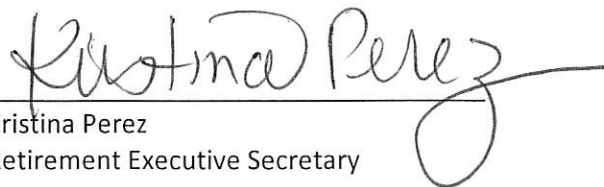
1507.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported on a Court of Appeal decision regarding the applicable time period that interest accrues on retroactive awards granting a disability retirement pursuant to a writ of mandate. The CA Supreme Court will be reviewing this decision, and there may be a time in the future where SamCERA is asked to sign an amicus brief on this matter. She also followed up on the Board's action in December 2014 which approved the inclusion of SamCERA on a joint letter sent by various public pension systems to the Delaware legislature regarding by-laws that shift litigation costs in shareholder actions. She stated the Governor of Delaware had signed the legislation SamCERA supported and it becomes effective August 1, 2015.

1507.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 1:25 p.m. in memory of the following deceased members:

Gibson, Marquez	June 16, 2014	Parks
Scopesi, Dina	October 28, 2014	Sheriff's
Albaniel, Elena	March 29, 2015	DA's Office
Azavedo, Josephine	May 20, 2015	Tax Collector
Alvarez, Marita	May 20, 2015	Environmental Services
Bookspun, Arnold	May 23, 2015	Mental Health
Hom, Choo Seng	May 24, 2015	Probation
Simpson, Patricia	May 27, 2015	DA's Office
Nocon, Barbara	June 2, 2015	Probation
Rodriguez, Manuela	June 18, 2015	Mental Health
MacFarlane, Olga	June 24, 2015	Social Service
Kostielney, Mark	July 1, 2015	Health Services
Copley, Ruth	July 4, 2015	Unknown
Yanko, Robert	July 9, 2015	Mental Health
Coslett, Donald	July 17, 2015	Sheriff



 Scott Hood
 Chief Executive Officer



 Kristina Perez
 Retirement Executive Secretary