

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AUGUST 25, 2015 – REGULAR BOARD MEETING MINUTES

1508.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Paul Hackleman, 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, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, and Shirley Tourel.

Excused: David Spinello, Eric Tashman, and Susan Lee (alternate).

Alternates present: Alma Salas.

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Al David, Tat-Ling Chow, Tariq Ali, Doris Ng and Kristina Perez.

Consultants: Jonathan Brody and Margaret Jadallah (SIS); Will Morrow (LRWL).

1508.1.1 Appointment of Board Committees: Mr. Hackleman stated that this term's committee assignments were still being determined and would be announced at a future Board Meeting.

1508.2.1 Oral Communications From the Board: Ms. Agnew reported her attendance at an event hosted by the Principles of Responsible Investment Association and University of California titled, "Research, Innovation and Stewardship in Responsible Investment" in Berkeley on July 28, 2015.

1508.2.2 Oral Communications From the Public: None.

1508.3.2 Approval of Regular Board Meeting Minutes from July 28, 2015: Mr. Hackleman asked if there were any changes or corrections to the Regular Board Meeting Minutes, from July 28, and none were stated.

Action: Ms. Arnott moved to approve the minutes from the Regular Meeting of July 28, 2015; and the motion was seconded by Ms. Kwan Lloyd. The motion carried with a vote of 6-0-1 with trustees Arnott, Bowler, Hackleman, Kwan Lloyd, Settles, and Tourel all in favor; none opposed. Ms. Agnew abstained, as she was not present at the July 28th Regular Meeting.

1508.4.0 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: Ms. Agnew moved to approve the Consent Agenda, and the motion was seconded by Ms. Arnott. The motion carried with a vote of 7-0 with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Settles and Tourel all in favor; none opposed.

1508.4.1 Disability Retirements: None.

1508.4.2 Service Retirements:

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

Member Name	Effective Retirement Date	Department
Andrea, Rex	June 27, 2015	Human Services Agency
Castellano, Michel	July 1, 2015	Information Services
Chao, Chun-Wan	June 13, 2015	Hospital
Gee, Sharon	June 30, 2015	Deferred Medical Center
Jeong, Leonard Gary	June 30, 2015	Public Works
Lopez, Gloria	June 3, 2015	Superior Court
Maldonado, Florence	June 4, 2015	Deferred from Public Health
Mata, Marian Changco	June 17, 2015	Deferred from Public Health

Miles, Patrick B	July 1, 2015	Behavioral Health
Obiajulu, Vincent	June 30, 2015	Probation
Ogar, Janice	June 30, 2015	Emergency Medical Services
Shore, James A	June 10, 2015	Deferred Dist Atty Office
Vidrio, Elena	June 10, 2015	Deferred Human Services Agency

1508.4.3 **Continuances:**

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

Survivor's Name	Beneficiary of
Cowen, Richard	Cowen, Audrey
Hom, Richard	Hom, Choo Seng
Nocon, Vincent	Nocon, Barbara

1508.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Gerke, Carol	G4 Vested
Eva, Ninetter	G4 Vested – Incoming Reciprocity
Seidler, Michael	S4 Vested
Machen, Marguerite	G4 Vested
Maya, Christine	G2 Vested
Marquez, David	G7 Non Vested – Reciprocity
Piper, Elizabeth	G2 Vested – Reciprocity
Guzman, Juan	G7 Non Vested - Reciprocity
Okamura, Deann	G4 Vested – Incoming Reciprocity
Shaikh, Qaiser	G5 Non Vested – Incoming/Outgoing Recip

1508.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Alvarado, Judith	G7, Non-vested
Boyett, Christopher	S7, Non-vested
Bright, Brandon	G4, Vested
Hecht, Robert	G7, Non-vested
Hott, Jason	G7, Non-vested
Izquierdo, Aura (FBO: Karina Vela)	G4, Non-vested
Livingston, Justin	G7, Non-vested
Morgan, Everett	G5, Non-vested

1508.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Ascano, Sheena	G7, Non-vested
Bedi, Sunayana (QDRO)	G4, Non-vested
Cachuela, Honorata (FBO: Kenneth Cachuela)	G4, Vested
Espitia, Wendy	G4, Vested
Ho, Tanya	G4, Non-vested
Jones, Bryant	G7, Non-vested
Lu, Wen	G7, Non-vested
Totah, Tiffany	G5, Non-vested

- 1508.4.7 **Approval of Resolution Amending Policy and Procedure Regarding Correcting Inaccuracies in Member Accounts:** The Board approved the "Resolution Amending Policy and Procedure Regarding Correcting Inaccuracies in Member Accounts."
- 1508.4.8 **Acceptance of Franklin Templeton Semi-Annual Compliance Certification Statement:** The Board accepted the semi-annual compliance statement of Franklin Templeton.
- 1508.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.
- 1508.6.1 **Preliminary Monthly Performance Report for the Period Ending July 31, 2015:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for July was +0.5%, while the preliminary trailing twelve-month return was +5.2% net (+5.4% gross). This item was informational only and no action was taken.
- 1508.6.2 **Quarterly Investment Performance Report for the Period Ending June 30, 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 2nd quarter total return for the SamCERA portfolio was +0.6%. The net total return for the fiscal year ending June 30, 2015 was +3.5%. This item was informational only and no action was taken.
- 1508.6.3 **Report on the Brown Advisory Annual Review:** Ms. Ng reported on the annual review of SamCERA's Large Cap Growth Equity Manager, Brown Advisory, with the Board. The annual review meeting was held on July 29, 2015. There were no major concerns identified during the review. This item was informational and no action was taken.
- 1508.6.4 **Report on Fixed Income Annual Reviews (Western Asset, Brown Brothers Harriman, and Pyramis):** Ms. Jadallah reported on the annual review of SamCERA's Core and TIPS managers. The annual review meetings were held on August 6, 2015. There were no significant concerns identified during the portfolio reviews. This item was informational and no action was taken.
- 1508.6.5 **Approval of Updated Asset Allocation Target Policy:** Mr. Coultrip reviewed and discussed the proposed changes to SamCERA's asset allocation target policy with the Board. He explained that minor changes may further diversify the plan by decreasing equity risk, while keeping similar return expectations, and may decrease the volatility of returns. The proposed changes to the policy include increasing its target allocations to opportunistic credit, real estate, and absolute return. Opportunistic credit will increase to 6% from 5%, real estate will increase to 7% from 6%, and absolute return will increase to 5% from 4%. These increases will be funded by dropping the domestic equity target to 28% from 30%, and international equity to 19% from 20%.
Action: Ms. Settles moved to approve the recommended changes to SamCERA's asset allocation target policy. The motion was seconded by Mr. Bowler and carried by a vote of 7-0 with trustees Agnew, Arnott, Bowler, Hackleman, Kwan Lloyd, Settles and Tourel all in favor; none opposed.
- 1508.6.6 **Report on SamCERA's Security Lending Program:** Mr. Coultrip reported on SamCERA's securities lending program with the Board. He stated the program was reviewed 6 months ago and now would be reviewed annually going forward. Mr. Coultrip reported SamCERA's securities lending program continues to add income; and since its inception in 2007, it has earned \$6.6 million as of fiscal year end 2015. This item was informational and no action was taken.

Mr. Hackleman adjourned the meeting for a short break at 11:26 a.m., reconvening at 11:35 a.m.

1508.6.7 **Presentation on Factor-Based Investing and Fundamental Beta:** Mr. Brody and Ms. Jadallah gave a 45-minute educational presentation regarding factor-based investing and 'smart' beta, and answered questions from the Board members. This item was informational and no action was taken.

Mr. Hackleman adjourned the meeting for lunch at 12:15 p.m. and the meeting was reconvened at 12:45 p.m.

1508.6.8 **Presentation on Soft Dollars:** Vinod Pakianathan and Steven Glass from Zeno Consulting Group provided a 1.25 hour educational presentation on soft dollars and answered questions from the Board. This item was informational and no action was taken.

1508.6.9 **Discussion on the Role of Investment Committee:** Mr. Hackleman and Mr. Coultrip led the members of the Board in a discussion regarding the role and objectives of the Investment Committee. Board members offered their opinions and discussed the Investment Committee's history, ideas for how to obtain and utilize the Board's input on certain investment related matters early on in the development process rather than just when final decisions are presented for action. This item was informational and no action was taken.

1508.7.1 **Preliminary Financial Statements for the Fiscal Year Ended June 30, 2015:** Ms. Chow reported that SamCERA's fiduciary net position as of June 30, 2015 was \$3,453,866,850, reflecting an increase of 5%, or \$162 million compared to June 30, 2014. This item was informational only and no action was taken.

Ms. Kwan Lloyd was excused for the remainder of the meeting at 2:50 p.m.

1508.7.2 **Approval of Trustee Request for Additional Educational Activity:** Mr. Hood presented the request of Michal Settles for attendance at an educational activity. He explained that requests of this type would now be placed on the regular agenda and not the consent agenda, to increase transparency with regard to travel and educational expenses.

Action: Ms. Agnew moved to approve the request of Michal Settles to attend the 2015 Women's Alternative Investment Summit in New York City, on November 5-6, 2015. The motion was seconded by Mr. Bowler and carried with a vote of 6-0 with trustees Agnew, Arnott, Bowler, Hackleman, Settles and Tourel all in favor; none opposed.

1508.7.3 **Update on Progress of SamCERA's Information Technology Projects:** Mr. Ali demonstrated the new website to the Board members, and provided an update on other ongoing IT Projects. Will Morrow, of LRWL, gave a status report on the progress of the PASS Implementation Project. Mr. Morrow noted that the project is on schedule and one change order for imaging was approved. He expressed concern about the readiness of the County's SharePoint project that is needed for the imaging functionality. This item was informational and no action was taken.

1508.8.1 **Chief Executive Officer's Report:** Mr. Hood stated that he met with a representative from CEM Benchmarking; and reported that after consulting with the broker and staff, no offer would be made for increased office space for SamCERA at this time. He notified the Board that the Mosquito and Vector Control District was expected to approve an MOU for supplemental contribution at their September 9 meeting and he would bring that agreement to the September Board meeting for approval.

1508.8.2 **Assistant Executive Officers' Report:** Ms. Smith reported the recruitment for the open Retirement Analyst position has begun following Barbara Edwards' promotion. She stated issues with Workday reported at the last meeting have been resolved. Ms. Smith noted that following the launch of the new website, she and Colin Bishop will work on updating the Communications Strategic Plan; and this year's CAFR would feature photos from the County's parks.

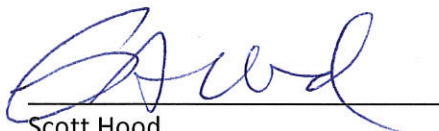
Mr. David notified the Board the financial team is working on the CAFR and finishing up the final audit field work. He announced that SamCERA was recognized for the 12th straight year by the Government Finance Officers Association and received an award for its 2014 Popular Annual Financial Report (PAFR). He reported the CAFR would be ready for Board review in October.

- 1508.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported details about rebalancing of the fund that took place in August. He let the Board know he would be making a due diligence trip to meet with Standard Life and Baillie Gifford in September.
- 1508.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board on the details of new pension reform initiative, titled the "Voter Empowerment Act of 2016," noting that if signature requirements are met, it will appear on the ballot in November 2016.

Ms. Agnew spoke at this time, as this was likely her last meeting as a Board Member. She reiterated her commitment to ESG values and requested the Board consider those ideals in future deliberations.

- 1508.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 3:45 p.m. in memory of the deceased members listed below. Following the adjournment, Mr. Hood presented Trustee Lauryn Agnew with a Certificate of Appreciation for her service on the Board.

Cachuela, Honorata	July 12, 2015	Medical Center
Young, Barbara	July 19, 2015	Medical Center
Chatman, Russell	July 20, 2015	General Services
Lewis-Rakova, Wendy	July 23, 2015	Aging & Adult Services
Becks, Gelsomina	July 26, 2015	Public Health



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary

