

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
OCTOBER 27, 2015 – REGULAR BOARD MEETING MINUTES

1510.1 **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:* Mark Battey, Ben Bowler (arrived 10:04 a.m.), Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello, Eric Tashman (arrived 10:17 a.m.), and Shirley Tourel.

*Excused:* Sandie Arnott.

*Alternates present:* Susan Lee, Alma Salas

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

*Consultants:* Jonathan Brody, Barry Dennis, Margaret Jadallah and John Nicolini (SIS); Nick Collier (Milliman, Inc.); and Andrew Paulden (Brown Armstrong)

1510.2.1 **Oral Communications from the Board:** Ms. Settles updated the Board on her service with the SACRS ad hoc committee related to the UC Berkeley trustee program.

1510.2.2 **Oral Communications from the Public:** None.

1510.3.2 **Approval of Regular Board Meeting Minutes from September 29, 2015:** Mr. Hackleman asked if there were any changes or corrections to the Regular Board Meeting Minutes from September 29, 2015, and none were stated.

**Action:** Ms. Settles moved to approve the minutes from the Regular Meeting of September 29, 2015; and the motion was seconded by Mr. Battey. The motion carried with a vote of 6-0-1 with trustees Battey, Bowler, Kwan Lloyd, Settles, Spinello and Tourel all in favor; none opposed; and with Mr. Hackleman abstaining as he was not present at the September 29<sup>th</sup> meeting.

1510.4.0 **Approval of the Consent Agenda:** Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and no items were requested to be removed.

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

1510.4.1 **Disability Retirements:** None

1510.4.2 **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>
Boado, Eufresina	August 15, 2015	Environmental Health
Cornejo, Maria	August 31, 2015	Deferred from Mental Health
Fitton, John	August 18, 2015	Superior Court
Golda, Voytek	August 23, 2015	Sheriff's
Karesh, Jonathan	August 4, 2015	Deferred from DA's Office
Koss, Yelena	September 1, 2015	Behavioral Health
Lou, Anna	September 1, 2015	QDRO
Mathison, John	September 1, 2015	Information Services
Mcentee, Cheryle	August 29, 2015	Environmental Health
Pinckney, Rosalyn	August 27, 2015	QDRO

Raggio, Glenn  
Rimon, Rolindy  
Silvestri, Gloria

August 13, 2015  
August 8, 2015  
August 29, 2015

Deferred from Sheriff's  
Deferred from Medical Center  
Deferred from Public Health

1510.4.3 **Continuances:**

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

<b>Survivor's Name</b>	<b>Beneficiary of</b>
Jenkins, Nancy	Jenkins, Risdon
Rakov, Mikhail	Lewis-Rakova, Wendy
Sherzinger, Kay	Sherzinger, Dennis

1510.4.4 **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>
Francis, Susan	G5 Non Vested – Reciprocity
Gatt, Mariavictoria	G4 Vested
Valera-Clemena, Valerie	G4 Vested
Irrinki, Narsimha	G4 Vested

1510.4.5 **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>
Alegria, Rocio	G7, Non-vested
Garcia, Grace	G7, Non-vested
Keovongsa, Karen	G7, Non-vested
Lamonica, Ashley	G7, Non-vested
Legaspi, Lylin	G4, Vested
Mantz, Antoinette	G5, Vested
Muckel, Adrianna	G4, Vested
Schaaf, Adam	G7, Non-vested
Vaca, David	P7, Non-vested

1510.4.6 **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>
Cook-Greene, Roniqua	G4, Non-vested
Hunter, Anne	G4, Non-vested
Kelly, Lauren	G5, Non-vested
Serrano, Michael	G7, Non-vested
Underwood, Galen	S4, Vested
Wang, Raymond	G7, Non-vested

1510.4.7 **Approval of Resolution Amending SamCERA's Interest Crediting Policy:** The Board approved a resolution amending the SamCERA Interest Crediting Policy to create a new District Supplementary Contributions Account (DSCA) Reserve and other non-substantive administrative changes.

1510.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

- 1510.5.2 **Acceptance of Milliman, Inc. Report on GASB 67 and 68 Disclosures For FY 2014-15:** Nick Collier of Milliman, Inc. reviewed the report with the Board. He explained how the required disclosures were calculated and reflected in the actuarial report.
- Mr. Tashman arrived at 10:17 a.m. during the presentation of item 5.2.
- Ms. Kwan Lloyd reported that the Audit Committee, which met earlier on the same day, had discussed this item and recommended acceptance of this report by the Board.
- Action:** Mr. Bowler moved to accept Milliman's report on GASB Statements 67 and 68. The motion was seconded by Ms. Settles and carried by a vote of 8-0, with trustees Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- The following agenda items were taken out of order and were heard in the order as listed below.
- 1510.6.5 **Report and Discussion of Organizational Changes within SIS:** Mr. Barry Dennis discussed the merger of SIS with Verus Advisory, Inc., effective January 1, 2016. He answered questions from staff and Board members and explained the process that began this summer. This item was informational only and no action was taken.
- 1510.7.1 **Acceptance of Financial Audit Management Reports and Findings:** Mr. Andrew Paulden reviewed the independent financial audit performed by Brown Armstrong for the fiscal year ending June 30, 2015. He outlined the process and outcome of the audit and stated that SamCERA's audit has received an unqualified (clean) opinion. Ms. Kwan Lloyd reported that the Audit Committee has recommended acceptance of the audit report. With no objections, the audit report and findings were accepted by the Board.
- 1510.7.2 **Approval of SamCERA's 2015 Comprehensive Annual Financial Report (CAFR):** Ms. Chow provided an oral report on the highlights of the CAFR, noting that SamCERA's funded status has improved to 83%. Ms. Kwan Lloyd reported that the Audit Committee reviewed the CAFR and recommended Board approval.
- Action:** Mr. Spinello moved to approve SamCERA's Comprehensive Annual Financial Report (CAFR) for the fiscal year that ended June 30, 2015. The motion was seconded by Ms. Settles and carried with a vote of 8-0, with trustees Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1510.7.3 **Annual Review of Independent Auditor, Brown Armstrong:** Mr. David reported the annual review of Brown Armstrong showed above average and higher ratings from Board members and staff. Mr. David was pleased with the good working relationship between SamCERA and Brown Armstrong, and expressed satisfaction with their work and the audit process. Ms. Kwan Lloyd reported that the Audit Committee had also discussed the annual review. This item is informational only and no action was taken.
- 1510.6.1 **Preliminary Monthly Performance Report for the Period Ending September 30, 2015:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for September was -2.1%, while the preliminary trailing twelve-month return was -0.6% net. This item was informational only and no action was taken.
- 1510.6.2 **Report on Fixed Income Manager Annual Review (Brigade Capital Management):** Ms. Ng discussed the annual review of Brigade Capital Management, held at the SamCERA office September 17, 2015. She stated that there were no significant concerns identified during the portfolio review. This item was informational only and no action was taken.

1510.6.3 **Report on Commodity, Hedge Fund, Risk Parity, and Real Estate Annual Manager Reviews:** Ms. Dames discussed the annual reviews of Invesco, AQR Global Risk, AQR Delta and PanAgora, held at the SamCERA office over two days, October 1<sup>st</sup> and October 8<sup>th</sup>. She stated that there were no significant concerns identified during the portfolio review. This item was informational only and no action was taken.

The meeting was adjourned into closed session from 11:45 a.m. until 12:15 p.m., and item 6.4 was heard at that time.

1510.6.4 **Discussion and Approval of Proposed Alternative Investment:** The Board met in closed session with staff and SIS to discuss this item. Upon reconvening, Ms. Carlson reported the following action was taken by the Board.  
**Action:** Ms. Settles moved to invest in \$30 million in Invesco U.S. Value Add Closed –End Fund IV. The motion was seconded by Mr. Tashman and carried with a vote of 7-1, with trustees Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Tashman and Tourel all in favor; Spinello opposed.

The meeting was adjourned for lunch from 12:15 p.m. until 12:45 p.m.

1510.7.4 **Discussion of SACRS Business Meeting Topics:** The SACRS business meeting materials were not available in time for discussion at this meeting. Mr. Hood stated that when materials become available from SACRS he would contact the voting delegates, Ms. Settles and Ms. Lee, and share the information. Because the SACRS business meeting materials were not available in time for discussion at this meeting, the delegates were authorized to vote in a manner that is in the best interest of SamCERA. No action was taken.

1510.7.5 **Approval of Board of Retirement Meeting Schedule for 2016:** Mr. Hood presented the proposed schedule of Board meetings for 2016 to the Board. There was no objection to any of the proposed meeting dates.

**Action:** Ms. Kwan Lloyd moved to approve the 2016 Board of Retirement meeting schedule. The motion was seconded by Ms. Settles and carried with a vote of 8-0, with trustees Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.

1510.8.1 **Chief Executive Officer's Report:** Mr. Hood thanked Ms. Chow and her team for their work on the CAFR. He announced that SamCERA's new website was officially launched, and he thanked Ms. Carlson and Colin Bishop for their efforts on the creation of the new site. Mr. Hood updated the Board on the agenda management software project, which has been stopped at this time. He notified the Board that the PASS project will require a budget increase to account for additional hours needed to complete the data cleansing portion of the project. He also noted that the Project Management contract with LRWL, Inc would also require a budget increase and expected to bring both amendments to the Board for approval in January. He is working with the County HR department to create a team to plan the health care deduction transition. This will integrate retiree health deductions into the new PASS system and transfer the "back office" accounting work to the County; this will have little impact on retirees but requires some accounting work and collaboration with County staff. Mr. Hood let the Board know he will be attending the Invesco Client Conference in La Jolla in early November; and that the \$1.5M check from the San Mateo County Mosquito and Vector Control District was expected to arrive this week.

1510.8.2 **Assistant Executive Officers' Report:** Ms. Smith reported that the SamCERA newsletter, included in the Board members' meeting folder, was e-mailed to active members and the retiree newsletter would be sent out soon. She let the Board know that two staff members were currently attending the

National Pension Education Association Annual Conference in Kentucky. Mr. David thanked the staff for all their help on the GASB 67 and 68 and the completion of the CAFR. He stated that the verification process of the finance portion of the PASS project is beginning.

- 1510.8.3 **Chief Investment Officer's Report:** Mr. Coultrip provided follow-up details regarding the investment in Standard Life Investments Global Absolute Return Strategies, approved by the Board in September. He noted this manager is registered with the US Securities and Exchange Commission and has 161 clients in the US, including CalPERS and the City of San Jose Retirement. He let the Board know that annual reviews for private equity and real assets will be held on November 16<sup>th</sup>, and invited interested Board members to attend. Mr. Coultrip will be attending the Invesco Client Conference with Mr. Hood.
- 1510.8.4 **Chief Legal Counsel's Report:** Ms. Carlson noted that if Board members are approached with solicitations from investment manager firms, Board members can refer such firms to SIS. She advised Board members to refrain from such discussions during a manager search period. Ms. Carlson provided the Board with an update of enacted legislation relating to pension systems and public agencies.

**CLOSED SESSION** – The Board may meet in closed session prior to adjournment.

- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda:** None  
C2 **Discussion and Approval of Proposed Alternative Investment (Confidential Under Gov. Code §54956.81 and §6254.26– see also item 6.4):** See item 6.4

1510.9 **Report on Actions Taken in Closed Session:** Recorded under item 6.4

1510.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 1:15 p.m. in memory of the deceased members listed below.

Knox, Mavis	August 14, 2015	Social Work
Soto, Beatrice	August 14, 2015	Public Health
Barthel, Irene	September 3, 2015	County Clerk
Forbes, Glenn	September 4, 2015	Social Services
Cantwell, Sidney	September 6, 2015	Public Works
O'Toole, Matilda	September 8, 2015	Municipal Court
Phillips, Edith	September 8, 2015	County Clerk
Lynch, Margaret	September 11, 2015	Social Services
Fitzgerald, Ronald	September 12, 2015	SMC General Hospital
Dunlop, Alta	September 14, 2015	Courts
Hansen, Richard	September 20, 2015	Sheriff
Kenny, Marie	September 24, 2015	Human Services Agency
Johnson, John	October 1, 2015	General Services
Mastenbrook, Clifford	October 1, 2015	Assessor's
Coleman, Demetric	October 6, 2015	Medical Center
Garcia, Jorge	October 11, 2015	Food Service/Dietary Unit

  
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Scott Hood  
Chief Executive Officer

  
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Kristina Perez  
Retirement Executive Secretary