

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
DECEMBER 15, 2015 – REGULAR BOARD MEETING MINUTES**

1512.1 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: Sandie Arnott, Mark Battey, Ben Bowler (arrived 10:11 a.m.), Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello, Eric Tashman and Shirley Tourel.

Alternates present: Susan Lee, Alma Salas.

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

Consultants: Margaret Jadallah, Derek Kong and Faraz Shooshani (SIS).

1512.2.1 Oral Communications from the Board: Board members reported their attendance at the following events and conferences:

Ms. Arnott attended the IFEBP 61st Annual Employee Benefits Conference and the Trustees Master Program (TMP) Advanced Leadership Summit, in Hawaii, November 8-11, 2015.

Ms. Tourel attended Part I of IFEBP's Certificate of Achievement in Public Plan Policy (CAPPP) program in Rhode Island, October 6-7, 2015.

Mr. Battey attended a portion of the SACRS Fall Conference in San Diego, on November 17-18, 2015.

Mr. Spinello attended the IFEBP 61st Annual Employee Benefits Conference and the Trustees Master Program (TMP), in Hawaii, November 7-11, 2015; and the SACRS Fall conference in San Diego, November 17-20, 2015.

Ms. Settles attended the Women's Alternative Investment Summit, in New York City, November 4-6, 2015; the SACRS Fall conference in San Diego, November 17-20, 2015; and IMN's Global Indexing and ETFs in Scottsdale, AZ, December 6-8, 2015. Ms. Settles also updated the Board on her participation with the SACRS Ad Hoc Committee working on the UC Berkeley trustee education program.

Mr. Hackleman attended the IFEBP 61st Annual Employee Benefits Conference, in Hawaii, November 8-11, 2015.

1512.2.2 Oral Communications from the Public: Board member alternates reported their attendance at the following events and conferences:

Ms. Salas attended the IFEBP 61st Annual Employee Benefits Conference and the Trustees Master Program (TMP) Advanced Leadership Summit, in Hawaii, November 8-11, 2015; and the SACRS Fall conference in San Diego, November 17-20, 2015.

Ms. Lee attended the SACRS Fall conference in San Diego, November 17-20, 2015.

1512.3.1 Acceptance of Audit Committee Meeting Minutes from October 27, 2015: Mr. Hackleman asked if there were any changes or corrections to the Audit Committee Meeting Minutes from October 27, 2015, and none were noted.

Action: Ms. Kwan Lloyd (Chair of the Audit Committee) moved to accept the minutes from the Audit Committee Meeting of October 27, 2015; and the motion was seconded by Ms. Settles. The motion carried with a vote of 8-0 with trustees Arnott, Battey, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.

1512.3.2 Approval of Regular Board Meeting Minutes from October 27, 2015: Mr. Hackleman asked if there were any changes or corrections to the Regular Board Meeting Minutes from October 27, 2015, and none were noted.

Action: Mr. Spinello moved to approve the minutes from the Regular Meeting of October 27, 2015; and the motion was seconded by Ms. Kwan Lloyd. The motion carried with a vote of 7-0-1, with trustees Battey, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed; and with Ms. Arnott abstaining as she was not present at the October 27th meeting.

Mr. Bowler arrived at 10:11 a.m. and took his seat at the dais.

1512.4.0 **Approval of the Consent Agenda:** Mr. Hackleman stated that consideration of the disability application of Victoria Ramirez would be postponed to a future meeting. He asked if there were any other items to be removed from the Consent Agenda, and no other 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 9-0 with trustees Arnott, Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.

1512.4.1 **Disability Retirements:**

- a) The Board found that Bai Fu is (1) permanently incapacitated for the performance of her usual and customary duties as a Custodian, (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.
- b) The Board found that Adolph Andalon is (1) permanently incapacitated for the performance of his usual and customary duties as a Fraud Investigator II, (2) found that his disability was not a result of an injury arising out of and in the course of his employment, and (3) granted his application for a non-service-connected disability retirement.
- c) The Board found that Felicia Watson is (1) permanently incapacitated for the performance of her usual and customary duties as a Switchboard Operator, (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.

1512.4.2 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Anteola, Evangeline	October 1, 2015	Medical Center
Askew, Clarice	October 31, 2015	Public Works
Berndl, Michael	October 2, 2015	Deferred from Sheriff's
Brown-Wade, Diane	September 10, 2015	Deferred from HSA Agency
Charan, Manjulla	October 17, 2015	Public Health
Cloud, Carman	September 9, 2015	Deferred from Public Safety Com
Condon, Sharon	October 5, 2015	Deferred from Controller's
Cooper, Laurie	October 10, 2015	Probation
Duran, Loretta	October 31, 2015	Courts
Gatt, Brian	November 1, 2015	Parks
Gray, Jessica	September 19, 2015	Deferred from Social Services
Hara, Hideki	September 26, 2015	Family Health Services
Hennen, Joseph	September 18, 2015	Human Services Agency
Herrera, Zonia	October 31, 2015	Public Health
Hutchens, Pauline	October 16, 2015	Public Safety Communications
Jackson, Angela	September 11, 2015	Human Services Agency

Jameson, Kelly	October 31, 2015	Deferred from Probation
Lynch, Anne	September 19, 2015	Library
Paengalau, Mary	September 17, 2015	Human Services Agency
Pisani, Alfred	September 30, 2015	Deferred from Public Works
Seaton, Carolyn	February 10, 2015	Medical Center
Strobeck, Paul	October 24, 2015	District Attorney Office
Wong, Kenton	October 27, 2015	Deferred from Sheriff's

1512.4.3 **Continuances:** None.

1512.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Cooper, Glorialee S.	G4, Non-Vested - Reciprocity
Crooks, Alleen L.	G4, Vested
D' Johns, Massanda	G4, Vested - Reciprocity
Finigan, Jeffrey R.	G2, Vested - Reciprocity
Fraser, Jean S.	G4, Vested
Gajunia, Florabel	G4, Vested
Jumoc, Cherrymae M.	G4, Vested
Soo, Regina R.	G5, Non-Vested – Reciprocity

1512.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Carrasco, Elizabeth	G7, Non-vested
Chau, John	G7, Non-vested
Formoso, Josephine	G7, Non-vested
Higgins, Tristan	G4, Non-vested
Imler, Erin	G7, Non-vested
Jones, Sharon	G7, Non-vested
Ku, Aileen	G4, Vested
Lumboy, Charles	G7, Non-vested
Robles, Robert	G7, Non-vested
Rogers, Ross (FBO: Hope Rogers)	G7, Non-vested
Rogers, Ross (FBO: Joseph Rogers)	G7, Non-vested
Sanchez De Leon, Israel	G7, Non-vested

1512.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Ampuero, Marilyn	G5, Non-vested
Gullet, Mary	G7, Non-vested
Liu, Zhenyi	G7, Non-vested
Morales, Roina (FBO: Estate of Roina Morales)	G4, Vested
Srour, Daniel	G7, Non-vested
Victorino, Adam	G5, Non-vested
Watkins, Stacy	G4, Non-vested
Yang, David	G7, Non-vested

- 1512.4.7 **Assignment of Strategic Investment Solutions, Inc., Investment Consultant Agreement to Verus Advisory, Inc.:** The Board approved authorization for the Chief Executive Officer to execute a "Consent to Assignment, Confirmation of Acceptance of Investment Consulting Agreement" approving the assignment of the Strategic Investment Solutions, Inc., (SIS) investment consultant agreement to Verus Advisory, Inc. (Verus).
- 1512.4.8 **Amendment of the Board's Policy for Reimbursement of Travel and Other Official Expenses for Trustees and Staff:** The Board approved a resolution amending the Board's policy for reimbursement of travel expenses.
- 1512.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.
- 1512.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ending October 31, 2015:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for October was 4.8%, while the preliminary trailing twelve-month return was 2.5% net. This item was informational only and no action was taken.
- 1512.6.2 **Quarterly Investment Performance for the Period Ending September 30, 2015:** Mr. Coultrip introduced the Quarterly Investment Performance Report. Ms. Jadallah went over the quarterly report, reviewing managers' performances and discussing details of the report with the Board. The net 3rd quarter total return for the SamCERA portfolio was -5.2%. This item was informational only and no action was taken.
- 1512.6.3 **Presentation of Private Asset Semi-Annual Performance Report as of June 30, 2015:** Ms. Dames introduced the performance report. Mr. Shooshani gave a detailed review of the current market conditions activity and summarized the performance and characteristics of SamCERA's private asset program for this period. Board discussion followed and Mr. Shooshani answered questions from Board members. This item was informational only and no action was taken.
- 1512.6.4 **Approval of Opportunistic Credit Manager Search Process:** Mr. Coultrip reviewed the Board's past actions that have increased the asset allocation in the opportunistic credit category (within fixed income) to 6%, with a 1% increase being approved in October 2015. Staff proposes using a similar search process, as previously undertaken in this category, to conduct a search for a new strategy and to perform due diligence. Staff will make a final recommendation to the Board at a future date.
Action: Mr. Battey moved to approve the proposed search process for funding a new opportunistic credit strategy within the fixed income asset class, and the motion was seconded by Mr. Bowler. The motion carried with a vote of 9-0 with trustees Arnott, Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1512.6.5 **Report on U.S. Department of Labor (DOL) Interpretive Bulletin on Economically Targeted Investments and Direction to Staff:** Ms. Carlson reviewed the contents of the DOL bulletin regarding ESG factors with the Board. In the staff report, proposed language was offered for a possible amendment to the Investment Policy consistent with the DOL bulletin; such an amendment would be considered at a future meeting. This item was informational only and no action was taken.

The meeting was adjourned into closed session at 11:45 a.m. and reconvened at 12:15 p.m.

- 1512.6.6 **Approval of Purchase 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: Mr. Battey moved to invest in \$25 million in CIM Infrastructure Fund II as part of SamCERA's allocation to Private Real Assets. The motion was seconded by Mr. Bowler and carried with a vote of 8-1, with trustees Arnott, Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello and Tourel all in favor; Tashman opposed.
- The meeting was then adjourned for lunch at 12:20 p.m. and reconvened at 12:32 p.m.
- 1512.6.7 **Strategic Discussion of Investment Items: Soft-Dollar Follow-Up and Equity Structure:** Mr. Coultrip led the Board in a discussion about the domestic equity manager structure and soft dollars, and this item was discussed this over lunch. This item was for discussion only and no action was taken.
- 1512.7.1 **Report on Status of SACRS Legislative Items Including Authority for Board of Retirement to Determine if the System Should Become a District and Direction to Staff:** Mr. Hood and Ms. Carlson detailed three recent legislative proposals from SACRS, and discussed the positive and negative impacts and expected outcomes of each with the Board. This item was for discussion only and no action was taken.
- 1512.7.2 **Discussion of Board/ Staff Retreat Topics:** Mr. Hood went over the proposed retreat topics with the Board, and asked Board members for any additional areas of interest they wanted to pursue at the April retreat. This item was for discussion only and no action was taken.
- 1512.7.3 **Report on Progress of SamCERA's Information Technology Projects:** Mr. Ali updated the Board on the progress of the recent and on-going technology projects. He noted that the migration to Outlook was successful; the new website is up and running and has had positive feedback; the web member services portal was launched on the internet; the agenda management solution has been postponed; and staff is looking into the use and efficiency of the iPad Pro. Mr. Ali also reported that the PASS project has invoiced 50% and is on schedule, he noted Mr. Morrow would be giving an update on PASS at the next meeting. This item was informational only and no action was taken.
- 1512.8.1 **Chief Executive Officer's Report:** Mr. Hood went over the items in the "Day of Meeting" folder, thanked Colin Bishop and Tat-ling Chow for their efforts related to the PAFR, and gave the Board an update on construction scheduled for the 100 Marine Parkway building. He reported that he assisted County CMO's office with preparation for refinancing certain bonds, and noted that San Mateo is one of only three counties in California with AAA rating from Moody's and S & P. Mr. Hood reported taking a trip to Seattle with Mr. Coultrip for due diligence visits with Verus, as well as Parametric and Milliman, Inc., on December 3rd. He let the Board know about upcoming items that would be on the January meeting agenda.
- 1510.8.2 **Assistant Executive Officers' Report:** Ms. Smith reported she had attended SCORPA, and noted that the board calendar was updated and includes the CALAPRS UCLA event in January. A copy of the retiree newsletter was provided to Board members in their folder. Ms. Smith introduced staff members individually and thanked the office staff for their efforts this year.
- 1512.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported going to Seattle with Mr. Hood for a due diligence visit with Verus, Parametric and Milliman, Inc., on December 3rd.
- 1512.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board on SamCERA's tax determination letter, and noted that a IRS reviewer would be assigned by the February meeting. She called the Board's attention to the summaries of initiative measures in the "Day of Meeting" folders.

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 **Approval of Purchase of Proposed Alternative Investment** (Confidential Under Gov. Code §54956.81 and §6254.2) – Reported under item 6.6.

The Board met in closed session at 2:00 p.m. to discuss items C2 and C3.

- C3 **Public Employee Performance Evaluation, in accordance with Government Code section 54957, Title: Chief Executive Officer**
- C4 **Conference with Labor Negotiator, in Accordance with Government Code section 54957.6 Designated Representative: Brenda B. Carlson. Employee Position: Chief Executive Officer**

1512.9 **Report on Actions Taken in Closed Session:** The meeting was reconvened into public session at 3:22 p.m. and Ms. Carlson stated that there was no reportable action taken by the Board in closed session on items C2 and C3.

1510.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 3:25 p.m. in memory of the deceased members listed below.

Gomes, Cecile	October 14, 2015	Hospital
Holman, Mona	October 17, 2015	Social Services
Fisk, Pamela	October 20, 2015	Courts
Hunt, Paula	October 21, 2015	CHOPE Medical Records
Cohen, Lorraine	October 23, 2015	Probation
Murakami, Taka	October 23, 2015	General Services
Adams, Ana	October 29, 2015	Controller's
Daetz, Virginia	October 31, 2015	Health & Welfare Administration
Royer, Mavis	November 2, 2015	Public Health
Katsumis, Peters	November 3, 2015	Sheriff's
Baker, Mary	November 4, 2015	Food Services
Trier, Thomas	November 7, 2015	Mental Health
Silvestrini, Jewell	November 9, 2015	Social Services
Lee, Harriet	November 10, 2015	Social Services
Lemon, Jean	November 15, 2015	Aging and Adult Services
Fagetti, Richard	November 29, 2015	Probation



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary