

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MARCH 22, 2016 – REGULAR BOARD MEETING MINUTES

1603.1 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 at 10:06 a.m.), Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello and Shirley Tourel.

Excused: Eric Tashman.

Alternates present: Susan Lee, Alma Salas.

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Doris Ng and Kristina Perez (arrived 12:15 p.m.).

Consultants: Margaret Jadallah, Stephen Quirk, John Nicolini (*Verus*).

1603.2.1 Oral Communications from the Board: Mr. Spinello reported his attendance at the IMN ABS Conference in Las Vegas, February 28-March 2, 2016, and the CALAPRS General Assembly in Indian Wells, on March 3-5, 2016. Ms. Kwan-Lloyd and Ms. Tourel also reported their attendance at the CALAPRS General Assembly.

1603.2.2 Oral Communications from the Public: Ms. Lee reported her attendance at the CALAPRS General Assembly in Indian Wells, on March 3-5, 2016.

1603.3.1 Approval of Regular Board Meeting Minutes from February 23, 2016: Mr. Hackleman asked if there were any changes or corrections to the Regular Board Meeting minutes from February 23, 2016, and none were noted.

Action: Ms. Kwan Lloyd moved to approve the minutes from the Regular Meeting of February 23, 2016, and the motion was seconded by Ms. Settles. The motion carried with a vote of 7-0; with trustees Arnott, Battey, Hackleman, Kwan Lloyd, Settles, Spinello and Tourel all in favor; none opposed.

1603.4.0 Approval of the Consent Agenda: Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and the disability application of Joanne Demattei was removed from the Consent Agenda and discussed in Closed Session (See 5.1).

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

1603.4.1 Disability Retirements:

The Board found that Arlette Hess is (1) permanently incapacitated from the performance of her usual and customary duties as an Information Technology Analyst, (2) found that her disability was the 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.

1603.4.2 Service Retirements:

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

Member Name	Effective Retirement Date	Department
Baca-Jenkins, Betty	January 11, 2016	Courts
Balestin, Gary	January 30, 2016	Behavioral Health
Bonar, Michael	January 12, 2016	Deferred from Child Welfare

Cabotaje, Rosenda	January 26, 2016	Deferred from Medical Center
Carlson, Gregory	January 9, 2016	Behavioral Health
Galang, Anita	January 11, 2016	Courts
Gettle, Amy	December 31, 2015	Deferred from Library
Helms, Gordon	January 2, 2016	Information Services Department
Holmlund, Christine	January 26, 2016	Deferred from Assessor
Houston, Ruby	January 30, 2016	Probation
Johnson, Ann	January 29, 2016	Human Services Agency
Moresco, Gail	January 16, 2016	Courts
Murphy, Ann-Marie	January 23, 2016	Behavioral Health
Nassarre, Rebecca	January 13, 2016	Human Services Agency
Nath, Nalini	January 21, 2016	Human Services Agency
Smith, Elizabeth	January 30, 2016	Deferred from District Attorney
Vidal-Noriega, Betty	January 16, 2015	Medical Center
Whitmer, Irene	January 16, 2016	Sheriff's
Wilson, Anna	January 11, 2016	Medical Center
Wright, Cherlene	January 25, 2016	Probation
Yan, Jimmy	February 1, 2016	Public Health/Family Health

1603.4.3 **Continuances:**

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

Survivor's Name	Beneficiary of:
Ayon, Celia	Ayon, Alexander
Collins, Portia	Jackson, Beatrice
Jackson, Teri	Jackson, Beatrice
O'Brien, Victoria	Verber, Steven
Reid, Constance	Reid, Michael
Stamper, Dorothy	Stamper, William
Valera-Gomez, Bernardita	Gomez, Oscar

1603.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Bilodeau, Michelle N.	G4, Vested - Reciprocity
Bradshaw, Charlotte L.	G2 & 3, Vested
Cardenas, Edith	G4, Vested
Cavazos, Angie	G4, Vested - Reciprocity
Fantozzi, Peter J.	G4, Vested
O'Keefe, Carmen	G4, Vested
Pawlowsky, Eric	G4, Vested - Reciprocity
Swillinger, Timothy R.	G4, Non-Vested - Reciprocity
Thachet, Lisu M.	G7, Non-Vested - Reciprocity
Velazquez, Tania A.	G4, Vested
Wade, Felix A.	G7, Non-Vested - Reciprocity
Wong, Mamie	G7, Non-Vested - Reciprocity

1603.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Anthony, Reymundo	G4, Non-vested

Cheung, May	G7, Non-vested
De Leon, Victoria	G7, Non-vested
Debord, Barbara	G4, Non-vested
Sedreddin, Babak	G7, Non-vested
Stevenson, Monique	G7, Non-vested

1603.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Yoo, Steven	G7, Non-vested

1603.4.7 **Approval of 2015 Actuarial Valuation Addendum and Resolution Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2016-2017 Fiscal Year:** The Board accepted the June 30, 2015 Actuarial Valuation Addendum dated March 13, 2016, and approved the Resolution Accepting Contribution Rates to be Recommended to the County of San Mateo Board of Supervisors for the Fiscal Year 2016-17.

1603.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** The Board adjourned into closed session at 10:04 a.m. to consider the disability application of Ms. Joanne Demattei, as well as consideration of Item 6.7 (taken out of order).

Mr. Bowler arrived at 10:06 a.m. and joined the closed session.

The meeting reconvened into public session at 10:34 a.m., and Ms. Carlson reported the following action, related to Ms. Demattei, taken by the Board in closed session.

Action: Mr. Spinello moved to deny Ms. Demattei's application for a service-connected disability retirement; and the motion was seconded by Ms. Tourel. The motion carried with a vote of 8-0; with trustees Arnott, Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello and Tourel all in favor; none opposed.

1603.6.7 **Discussion of Proposed Alternative Investments (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C2):** While the Board was in closed session from 10:04 a.m. to 10:34 a.m., the Board discussed Item 6.7.

After the meeting was reconvened, Ms. Carlson reported that the Board discussed item 6.7 in the closed session but that no reportable action was taken.

1603.5.2 **Approval of Resolutions Defining (1) Compensation Earnable pursuant to Government Code §31461 and (2) Pensionable Compensation pursuant to Government Code §7522.34.:** Mr. Hood introduced this item, stating it was a "housecleaning" item. These resolutions will add new pay codes and delete obsolete ones to match the pay codes used by the County in Workday. Ms. Smith and Ms. Carlson also answered questions from Board members about the changes and how these codes operate within SamCERA's system. There are two resolutions to be approved, one for PEPRA and one for non-PEPRA members. A single vote of the Board was taken to approve both resolutions as presented.

Action: Ms. Arnott moved to approve the following two resolutions to be effective March 27, 2016: (1) Resolution defining Compensation Earnable, pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34 and (2) Resolution defining Pensionable Compensation pursuant to Government Code §7522.34 for members who are not subject to Government Code §31461. The motion was seconded by Mr. Bowler and carried with a vote of 8-0; with trustees Arnott, Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello and Tourel all in favor; none opposed.

- 1603.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ending February 29, 2016:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported the fund's net preliminary return for February was -0.05%, while the preliminary trailing twelve-month return ending February 2016 was -5.3% net. This report was informational and for discussion only; no action was taken.
- 1603.6.2 **Report on the Global Custodian (Northern Trust) Annual Review:** Ms. Ng stated that SamCERA staff met with Northern Trust representatives on March 3, 2016 at SamCERA, and reported that Northern Trust continues to provide an excellent level of service to staff in accordance with expectations. No major concerns were identified during the review. This report was informational and for discussion only; no action was taken.
- 1603.6.3 **Report on Cash Overlay (Parametric Minneapolis) Annual Review:** Mr. Coultrip stated that SamCERA staff met with the CIO of Parametric Minneapolis (formerly The Clifton Group) on March 3, 2016 at SamCERA. There was discussion with the Board about possible impacts to SamCERA due to personnel changes at Parametric. No major concerns were identified during the review. This report was informational and for discussion only; no action was taken.
- 1603.6.4 **Report on Proxy Voting Summary for Quarter Ended December 31, 2015:** Mr. Coultrip and Ms. Ng reviewed the proxy voting process. They, along with Ms. Jadallah, discussed the summarized proxy voting data with the Board. This report was informational and for discussion only; no action was taken.
- 1603.6.5 **Update on U.S. Core Small-Capitalization Equity Manager Search:** Mr. Coultrip and Ms. Jadallah reviewed the selection criteria and updated the Board on this search. Verus and SamCERA staff have identified a short-list of five U.S. Core Small-Capitalization Equity managers and due diligence questionnaires will be sent to these firms. This report was informational and for discussion only; no action was taken.
- 1603.6.6 **Approval to Establish a Dedicated Inflation Protection Pool:** Mr. Coultrip discussed the rationale for combining the current inflation-sensitive portfolio exposures into a single asset class, in order to better manage the assets, and the overall portfolio. Mr. Nicolini then reviewed the potential future implementation of this proposed change with the Board.

Action: Mr. Battey moved to approve the staff and consultant recommendation to form a dedicated inflation protection pool. The motion was seconded by Mr. Spinello and carried with a vote of 8-0; with trustees Arnott, Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello and Tourel all in favor; none opposed.

The meeting was adjourned for lunch at 11:56 a.m., and reconvened at 12:17 p.m.

- 1603.7.1 **Approval of Resolution Authorizing the Chief Executive Officer to Execute a Third Amendment to the Agreement with Brown Armstrong Accountancy Corporation for Audit Services:** Mr. Hood presented the staff report; and reviewed the terms of the contract amendment with the Board. The Third Amendment would extend the current term for three more fiscal years, to include the June 30, 2018 audit.
- Action:** Ms. Settles moved to approve the resolution authorizing the Chief Executive Officer to execute a third amendment to the agreement with Brown Armstrong Accountancy Corporation for Audit Services. The motion was seconded by Ms. Kwan Lloyd and carried with a vote of 8-0; with trustees Arnott, Battey, Bowler, Hackleman, Kwan Lloyd, Settles, Spinello and Tourel all in favor; none opposed.
- 1603.7.2 **Report on Status of April 26 and 27, 2016 Board-Staff Retreat Planning:** Mr. Hood reviewed the proposed agenda for the 2016 Board-Staff Retreat with the Board, and noted the schedule changes made following the Board's discussion during the March meeting. This report was informational and for discussion only; no action was taken.
- 1603.7.3 **Report on Progress of SamCERA's Information Technology Projects:** Mr. Ali updated the Board on the on-going IT projects, and Mr. Morrow followed up with information on status of the PASS implementation. This report was informational and for discussion only; no action was taken.
- 1603.8.1 **Chief Executive Officer's Report:** Mr. Hood reviewed the items in the "Day of Meeting" folder with the Board; and updated them on the construction at 100 Marine Parkway and the status of lease negotiations with the landlord. He alerted the Board to upcoming items expected on the April board meeting agenda.
- 1603.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported staff was working on the Spring edition of the SamCERA newsletter; and reminded the Board members that the \$25 fee for each trustee's non-recourse insurance would be due at the next meeting. She also reported that SamCERA had will enter into a new contract with Financial Knowledge Network. Ms. Perez spoke to the Board about upcoming education opportunities and conferences.
- 1603.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that John Nicolini from Verus would provide an educational presentation in regard to mining investments at a future meeting. Mr. Coultrip also reviewed two portfolio rebalancing events.
- 1603.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board on AB 1853 (Cooper), which, if passed, would authorize the retirement board of any retirement system operating under CERL to elect, by resolution, to be a district under the law. She also noted a trial court decision regarding a felony forfeiture matter.

Mr. Ali then presented an IT demonstration for the Board members.

CLOSED SESSION

- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda:** None.
- C2 **Consideration of Approval to Sell Alternative Investment (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26):** (Confidential Under Gov. Code §54956.81 and §6254.2) – No reportable action was taken, see item 6.7.

1603.9 **Report on Actions Taken in Closed Session:** See item 6.7.

1603.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 1:17 p.m. in memory of the deceased members listed below.

Williams, Deartis	January 20, 2016	Crystal Springs Rehab Center
De Angelis, Gennaro	February 8, 2016	Parks and Recreation
Schultz, Dolores	February 15, 2016	County Clerk
Woodworth, Virginia	February 15, 2016	County Clerk
Carr-Glass, Iola	February 19, 2016	Mental Health
Molina, Dora	February 19, 2016	Hospital
Ferree, David	February 21, 2016	Sheriff's
Nicholson, Carolee	February 23, 2016	Public Health
Handley, Chantal	February 25, 2016	Public Health
Misculin, Guido	February 26, 2016	Public Works
Bodey, Charles	February 29, 2016	Public Works



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary