

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
AUGUST 28, 2018 – REGULAR BOARD MEETING MINUTES

**1808.1 Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Ms. Sandie Arnott, Chair, called the Regular Meeting of the Board of Retirement to order at 10:01 a.m.

**Roll Call:**

Present: Sandie Arnott, Al David, Kurt Hoefer, Susan Lee (for Robert Raw) and Alma Salas (for Paul Hackleman).

Absent: Mark Battey, Ben Bowler, Paul Hackleman, Katherine OMalley and Robert Raw.

Alternates present: Susan Lee and Alma Salas.

Staff: Scott Hood, Gladys Smith, Michael Coultrip, Tat-Ling Chow, Brenda Carlson, Lili Dames, Doris Ng and Anne Trujillo.

Consultants and speakers: Margaret Jadallah, Joe Abdou and Faraz Shooshani (Verus).

**1808.2.1 Oral Communications from the Board:** None.

**1808.2.2 Oral Communications from the Public:** None.

**1808.3.1 Approval of Board Meeting Minutes:** Ms. Arnott asked if there were any changes or corrections, or objections, to the meeting minutes from the Board meeting held on July 24, 2018.

**Action:** Mr. Hoefer moved to approve the minutes from the Board Meeting on July 24, 2018. The motion was seconded by Ms. Salas and carried with a vote of 5-0, with trustees David, Hoefer, Lee, Salas and Tashman all in favor; Ms. Arnott abstained; none opposed. (This agenda item was taken out of order.)

**1808.4.0 Approval of the Consent Agenda:** Ms. Arnott asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

**Action:** Mr. David moved to approve the items on the Consent Agenda, and the motion was seconded by Mr. Hoefer. The motion carried with a vote of 5-0, with trustees Arnott, David, Hoefer, Lee and Salas, all in favor; none opposed.

**1808.4.1 Disability Retirements:** None.

**1808.4.2 Survivor Death Benefits:** Anthony Seto.

**1808.4.3 Service Retirements:**

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Chapman, Kim	June 9, 2018	Dept. of Public Works
Clark, Ellen	June 7, 2018	Deferred from Sheriff's
Cohen, William	June 30, 2018	Behavioral Health & Recovery Services
Darby, John	June 12, 2018	Behavioral Health & Recovery Services
De Anda, Maria	June 30, 2018	Human Services Agency
Filia, Richard	June 30, 2018	Deferred from Communications
Fletcher, Sherry	June 1, 2018	Deferred from District Attorney
Healy, Scott	May 16, 2018	QDRO
Kao, Shen	June 30, 2018	Sheriff's

Lewellen, William	June 30, 2018	Sheriff's
Lindstrom, Joyce	July 1, 2018	QDRO
Mesinger, Jonathan	June 23, 2018	Health System
Parker, Melvin	June 30, 2018	Probation
Rashed, Sami	June 3, 2018	Sheriff's
Sanchez, Patricia L.	June 7, 2018	Sheriff's
Simpson, Susan	July 1, 2018	Deferred from District Attorney
Stacey, Elain Keolani	June 30, 2018	Probation
Vaillancourt, Donna	June 29, 2018	Human Resources

1808.4.4 **Continuances:**

The Board ratifies the actions as listed below for the following members regarding continues:

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Burkart-Frank, Lori	Frank, Kenneth
Carbon, Glenn	Lamis, Aurelia
Cougoule, Ruth	Cougoule, Gary
Peck, Elve	Peck, Michael
Ritchie, Robert	Ritchie, Iva

1808.4.5 **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>
Alfonso, Catherine	G7, Non-vested - Reciprocity
Pham, Irving	G7, Non-vested – Reciprocity
Lloyd, Rebecca	G4, Vested - Reciprocity
Solano, Irma Vasquez	G7, Non-vested - Reciprocity
Le, Don	G7, Vested - Reciprocity
Yee, Theresa Ann	G4, Vested - Reciprocity
Gill, Sandeep Singh	G7, Non-vested - Reciprocity

1808.4.6 **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>
Jackson, Monica	G7, Non-vested
Mendoza, Zaida	G7, Non-vested
Milligan, Edwin (FBO: Alexandra Cook-Milligan)	G4, Non-vested
Milligan, Edwin (FBO: Dana Cook-Milligan)	G4, Non-vested
Morales, Jessica	G4, Non-vested
Vidrio Corro, Arely	G7, Non-vested

1808.4.7 **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>
Birkeland, Sarah	G7, Non-vested
Hartman, Dana	G7, Non-vested
Kuchan, Allison	S7, Non-vested
Laskowski, Michele	G7, Non-vested
Meneghetti, Cristina	G7, Non-vested
Pfaff, Elizabeth	G4, Non-vested

1808.4.8 **Member Account Redeposits:** None.

1808.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activities attended by Mr. Raw.

1808.4.10 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2018:** The Board accepted the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers and investment consultant, as of June 30, 2018.

1808.4.11 **Reaffirmation of Board of Retirement Policy and Procedure for Correcting Inaccuracies Relating to Member Contributions, Withdrawals and the Payment of Benefits:** The Board reaffirmed its "Policy and Procedure for the Correction of Inaccuracies Relating to Member Contributions, Withdrawals and the Payment of Benefits."

1808.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** None.

1808.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended July 31, 2018:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for July 2018 was 1.4%, bringing the preliminary trailing twelve-month return ending July 2018 to 6.6% net. The preliminary twelve-month net return is below both SamCERA's Plan Benchmark return of 8.0% and SamCERA's Actuarial Assumed Earnings Rate of 6.75%. He also added that July was a positive month for risk assets in both U.S. and international markets. This item was informational and for discussion only, no action was taken.

Mr. Tashman arrived at 10:06 a.m. and took his seat at the dais.

1808.6.2 **Report on Quarterly Investment Performance Report for the Period Ended June 30, 2018:** Mr. Coultrip reported the 2<sup>nd</sup> quarter net total return for SamCERA's portfolio was +0.6%, which was 20 bps lower than the +0.8% policy benchmark return. He also reported the net total return for fiscal year ending June 30, 2018 was +6.7%, which was 110 bps lower than the +7.8% policy benchmark return. This item was informational and for discussion only, no action was taken.

1808.6.3 **Report on Fixed Income Manager Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's global and core bond managers. Staff met at SamCERA's offices with Franklin Templeton and core bond managers, Western Asset Management and Fidelity Institutional Asset Management on August 2, 2018. There were no significant concerns identified during the portfolio reviews. This item was informational and for discussion only, no action was taken.



1808.6.4 **Report on Private Asset Semi-Annual Performance Reports as of December 31, 2017:** Ms. Dames reported SamCERA's private equity and real assets performance as of December 31, 2017. She informed the Board that SamCERA's private equity portfolio had a total market value of \$255.7 million and private real assets portfolio had a total market value of \$58.6 million.

Mr. Shooshani further reviewed the performance reports with the Board. This item was informational and for discussion only, no action was taken.

1808.6.5 **Report on Government Code Section 7514.7 Annual Disclosure for 2017:** Under Government Code Section 7514.7, staff prepared SamCERA's first required disclosure report covering calendar year 2017. Ms. Dames went over the report in detail with the Board. This item was informational and for discussion only, no action was taken.

The meeting was adjourned for break at 11:10 a.m. and reconvened at 11:15 a.m. and went into closed session to consider item 1808.6.7 (C2). The Board reconvened once again in open session at 11:55 a.m.

1808.6.6 **Approval of Currency Hedging Recommendation:** Ms. Jadallah and Mr. Abdou presented an overview on currency risk and currency hedging, and discussed important consideration in setting up a hedging program.

**Action:** Mr. Hoefer moved to approve the recommendation to implement a 50% developed market currency hedge utilizing Parametric and legging in at 10% quarterly tranches to mitigate timing impacts. The motion was seconded by Ms. Salas and carried with a vote of 6-0, with trustees Arnott, David, Hoefer, Lee, Salas and Tashman. (This agenda item was taken out of order.)

1808.6.7 **Approval of Proposed Alternative Investment:** Under Confidential under Gov. Code §54956.81 and C2 §6254.26, the Board met in closed session regarding the approval of a proposed alternative investment.

Ms. Carlson reported that a motion was made to invest \$20 million in the ABRY Advanced Securities Fund IV and carried with a vote of 5-1, with trustees Arnott, David, Lee, Hoefer and Salas in favor; Tashman opposed. (This agenda item was taken out of order.)

The Board adjourned for lunch at 12:19 p.m. and reconvened at 12:50 p.m.

1808.7.1 **Approval of Board of Retirement's Response to the 2017-2018 Civil Grand Jury Report:** Mr. Hood reported the Grand Jury's findings and recommendations regarding SamCERA's funded status and assumed rate of return. He provided the Board with draft responses to each finding and the one recommendation for the Board's approval.

**Action:** Mr. David moved to approve the Board's response to the applicable findings and recommendations contained in the San Mateo County 2017-18 Grand Jury Report. The motion was seconded by Mr. Tashman and carried a vote of 6-0, with trustees Arnott, David, Hoefer, Lee, Salas and Tashman all in favor; none opposed.

1808.7.2 **Report on Preliminary Financial Statements for the Fiscal Year Ended June 30, 2018:** Ms. Chow reported on SamCERA's financial position which improved modestly over the fiscal year. The fund's net position increased 8%, fueled mainly by an appreciation of investments. This item was informational and for discussion only, no action was taken.

- 1808.7.3 **Report on Budget-to-Actual for the Fiscal Year Ended June 30, 2018:** Ms. Chow reported on SamCERA's three different areas of budget: Administrative, Technology and Professional Services. She informed the Board the annual actual versus budget comparison indicates that SamCERA's actual spending during fiscal year 2017-2018 matched closely with its budget. This item was informational and for discussion only, no action was taken.
- 1808.7.4 **Approval of Resolution Adopting Felony Forfeiture Procedures:** Mr. Hood discussed the proposed procedure for Felony Forfeitures. The procedure confirms SamCERA existing process which provides the member with notice, a right to be heard and right to appeal decisions prior to any forfeiture action.
- Action:** Ms. Salas motioned to adopt the resolution approving "Board of Retirement Procedure for Felony Forfeitures." Mr. David seconded the motion and carried a vote of 6-0, with trustees Arnott, David, Hoefer, Lee, Salas and Tashman all in favor; none opposed.
- 1808.8.1 **Chief Executive Officer's Report:** Mr. Hood called attention to the SACRS Legislation Timeline found in the Day of Meeting Folder. He stated that staff plans to release the Request for Proposal (RFP) for actuarial services this week to ensure adequate time to respond. Mr. Hood also mentioned next month's meeting agenda would include approval of contribution rates and opportunity to approve the SACRS delegates.
- 1808.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that Brown Armstrong is currently in-house, conducting its audit this week. She also mentioned the V3 system version upgrade will begin next month. Lastly, Ms. Smith reported staff is undergoing interviews for the Retirement Support Specialist position and will soon begin recruitment for the Retirement Analyst position.
- 1808.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported annual review meetings with Angelo Gordon, White Oak and Brigade will take place on September 13, 2018. The annual meeting with TCP will take place on September 26, 2018. Mr. Coultrip also reported of the County's prepayment received in July and explained how the funds were allocated. In addition, he reported that SamCERA has offered (and accepted) a modified fee schedule for an alternative investment which better aligns with the performance of the fund. The net result will be a lowered fee for the upcoming fiscal year. (This agenda item was taken out of order.)
- 1808.8.4 **Chief Legal Counsel's Report:** Ms. Carlson discussed the specifics of Government Code Section 31522.3, which was amended to apply to any system in which the Board of Supervisors makes it applicable. Under this code section, the positions of the Chief Investment Officer and Assistant Executive Officer are not subject to County Civil Service and serve at the pleasure of the Board of Retirement who may set the salaries. However, salaries for these positions are to be included in the County's salary ordinance which is approved by the Board of Supervisors.

C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.

- 1808.10 **Adjournment:** Ms. Arnott adjourned the meeting at 1:15 p.m. in memory of the deceased members listed below.

Cristina Enriquez	July 5, 2018	Human Services
Norma Antonio	July 6, 2018	Public Works
Glenn Nelson	July 11, 2018	Assessor
Darlene Wich	July 13, 2018	Superior Court
Howard Lader	July 17, 2018	Mental Health
Suzuye Shoda	July 22, 2018	Health Services

Harris Crain  
Janet Miller  
Aldaniel Goodspeed  
Helen Cannon  
Samuel Rosa

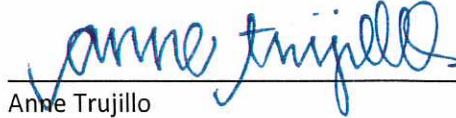
July 28, 2018  
July 30, 2018  
August 1, 2018  
August 3, 2018  
August 4, 2018

Hospital  
Planning & Building  
Engineering & Road Dept  
Outpatient Clinic  
Crystal Springs Rehab



---

Scott Hood  
Chief Executive Officer



---

Anne Trujillo  
Retirement Executive Secretary