



# Notice of Public Meeting

## The Board of Retirement

of the San Mateo County Employees' Retirement Association will meet on  
**Tuesday, July 24, 2018, at 10:00 A.M.**

**PUBLIC SESSION** – The Board will meet in Public Session at 10:00 a.m.

- 1. Call to Order, Roll Call and Miscellaneous Business**
  - 1.1 Administration of Oath of Office to Newly Elected and Reappointed Trustees
  - 1.2 Election of Board Officers
  - 1.3 Announcement of Appointment of Board Committees
- 2. Oral Communications**
  - 2.1 Oral Communications from the Board
  - 2.2 Oral Communications from the Public
- 3. Approval of the Minutes**
  - 3.1 Approval of Board Meeting Minutes from May 22, 2018
- 4. Approval of the Consent Agenda\***
  - 4.1 Disability Retirements (6)
    - Larry Burris
    - Marie Castellanos
    - Mario Cousenes
    - Luz Hart
    - Debbie Liljegren-Cullen
    - Ines McMacken
  - 4.2 Survivor Death Benefits
  - 4.3 Service Retirements
  - 4.4 Continuances
  - 4.5 Deferred Retirements
  - 4.6 Member Account Refunds
  - 4.7 Member Account Rollovers
  - 4.8 Member Account Redeposits
  - 4.9 Acceptance of Trustees' Reports of Educational Activities (Pension Bridge, SACRS, NCPERS)
  - 4.10 Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2018
  - 4.11 Approval of Resolution Amending Records Retention Policy and Reaffirmance of Code of Conduct
  - 4.12 Approval of Resolution Reaffirming Conflict of Interest Code
  - 4.13 Approval of 8<sup>th</sup> Amendment to Contract with Vitech Systems Group, Inc.
- 5. Benefit & Actuarial Services**
  - 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
- 6. Investment Services**
  - 6.1 Report on Preliminary Monthly Portfolio Performance Report for the Period Ended June 30, 2018
  - 6.2 Report on SamCERA's Securities Lending Program
  - 6.3 Report on the Core Equity and Passive Manager Annual Reviews
  - 6.4 Report on the International Equity Manager Annual Reviews
  - 6.5 Educational Presentation on Low Volatility Equity
- 7. Board & Management Support**
  - 7.1 Approval of Board Strategic Plan
  - 7.2 Report on Staff's Strategic Plan Implementation
  - 7.3 Approval of Trustee Request for Attendance at a Conference not on the Approved List
- 8. Management Reports**
  - 8.1 Chief Executive Officer's Report
  - 8.2 Assistant Executive Officer's Report
  - 8.3 Chief Investment Officer's Report
  - 8.4 Chief Legal Counsel's Report

# Notice of Public Meeting

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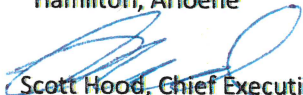
**CLOSED SESSION** – The Board may meet in closed session prior to adjournment

C1 Consideration of Disability Items, if any, removed from the Consent Agenda

**9. Report on Actions Taken in Closed Session**

**10. Adjournment in Memory of the Following Deceased Members:**

Umblas, Eusebia	April 22, 2018	Controller's
Rushin, Pauline	April 26, 2018	Chope Hospital
Gallant, Michael	April 28, 2018	Probation
Burton, Stephen	May 2, 2018	Sheriff's
Anderson, Icelyn	May 10, 2018	Crystal Springs Rehab Center
Cougoule, Gary	May 14, 2018	Sheriff's
Holmes, Alice	May 17, 2018	County Manager's Office
Ayala, Joe	May 22, 2018	Chope Hospital
Frank, Kenneth	May 24, 2018	Sheriff's
Fisher, Maxine	May 29, 2018	Health Services
Peck, Michael	June 2, 2018	Sheriff's
Kofahl, Jeanette	June 5, 2018	Controller's
Nicholas, George	June 5, 2018	Probation
Ference, Georgene	June 10, 2018	County Manager
Ali, Margarita	June 15, 2018	Superior Court
King, Genevieve	June 16, 2018	Social Services
Ritchie, Iva	June 18, 2018	County Clerk
Cornyn, Virginia	June 23, 2018	Public Health
Henry, Estella	June 24, 2018	Crystal Springs Rehab Center
Duggan, Kevin	June 26, 2018	Information Services
Burkhart, Hannah	June 30, 2018	General Services
Cougoule, Ruth	July 7, 2018	Courts
Hamilton, Arloene	July 9, 2018	Library



Scott Hood, Chief Executive Officer

Posted: July 18, 2018

(\* ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA. ANY 4.1 ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER CLOSED SESSION; ALL OTHER ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER ITEM 5.1.)

**THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160**, WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD CITY. Detailed directions are available on the "Contact Us" page of the website [www.samcera.org](http://www.samcera.org). Free Parking is available in all lots in the vicinity of the building. A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

July 24, 2018

Agenda Item 1.1

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Administration of the Oath of Office to Newly Elected and Reappointed Trustees

In this agenda item, the Trustee Oath of Office will be given to **Katherine OMalley** and **Robert Raw**, newly elected to the Board and to **Eric Tashman** and **Mark Battey**, reappointed by the Board of Supervisors.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

July 24, 2018

Agenda Item 1.2

**TO:** Board of Retirement

**FROM:** Ad Hoc Nominating Committee – Kurt Hoefer (Chair), Sandie Arnott and Alma Salas

**SUBJECT:** Election of 2018-2019 Board Officers

**Recommendation**

Accept report and recommendations of the Ad Hoc Nominating Committee.

**Background**

Pursuant to the Board's Regulations, an election of Board officers is to be held at the first regular meeting in July.

At the Board's May 22, 2018 meeting, Chair, Mark Battey, appointed an Ad Hoc Nominating Committee to recommend a nomination slate for the Board of Retirement officer positions for the 2018-2019 term.

**Discussion**

The Ad Hoc Nominating Committee met and now recommends that the Board:

- Ask for a motion and a second to place the Committee's following slate of candidates in nomination:
  - Sandie Arnott, Chair
  - Kurt Hoefer, Vice-chair
  - Al David, Secretary;
- Open the floor to additional nominations, and
- Conduct a vote for the officer positions.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

July 24, 2018

Agenda Item 1.3

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Announcement of Appointment of Board Committees

**Recommendation**

Staff recommends the Chair announce appointments to the Investment Committee and the Audit Committee as the Chair deems appropriate.

**Background**

The Board Chair is authorized by the Regulations of the Board of Retirement to appoint all committees.

**“1.1 Election Of Chair:** At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, **shall appoint all committees** (*emphasis added*) and shall perform all duties incidental to that office.”

Committee assignments for FY17-18 were as follows:

- Audit Committee- Susan Lee, Sandie Arnott, Kurt Hoefler and Shirley Tourel, Chair
- Investment Committee- Alma Salas, Eric Tashman and Ben Bowler, Chair

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

MAY 22, 2018 – REGULAR BOARD MEETING MINUTES

**1805.10 Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Mr. Mark Battey, Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

**1805.1.1 Roll Call:**

Present: Sandie Arnott, Mark Battey, Ben Bowler, Albert David, Alma Salas (for Paul Hackleman), Kurt Hoefer, David Spinello, and Shirley Tourel.

Absent: Paul Hackleman, Eric Tashman.

Alternates present: Susan Lee and Alma Salas.

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

Consultants and speakers: Margaret Jadallah, Stephen Quirk and John Nicolini (Verus); and Nick Collier (Milliman).

**Appointment by Chair of Ad Hoc Nominating Committee for Board Officers**

Mr. Battey announced the appointment of Ms. Arnott, Mr. Hoefer and Ms. Salas to the Ad Hoc Nominating Committee for Board Officers.

**1805.2.1 Oral Communications from the Board:** Mr. David reported his attendance at NCPERS Training in New York. The training included topics such as Board Governance, real estate investment and benchmarking.

**1805.2.2 Oral Communications from the Public:** Not until agenda item 5.2.

**1805.3.1 Approval of Board Meeting Minutes:** Mr. Battey asked if there were any changes or corrections, or objections, to the meeting minutes from the Special Board meeting held on April 24, 2018.

**Action:** Mr. David moved to approve the minutes from the Special Meeting on April 24, 2018. The motion was seconded by Ms. Arnott and carried with a vote of 7-0-1, with trustees Arnott, Battey, Bowler, David, Hoefer, Salas and Tourel all in favor; Mr. Spinello abstained; none opposed.

**1805.4.0 Approval of the Consent Agenda:** Mr. Battey asked if there were any items to be removed for discussion from the Consent Agenda other than the application for service-connected survivor benefits (William Dean) per request. No other items were removed.

**Action:** Mr. Spinello moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Hoefer. The motion carried with a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hoefer, Spinello, Salas and Tourel all in favor; none opposed.

**1805.4.1 4.1 Disability Retirements**

- a) The Board find that **Michael Quaid** is (1) permanently incapacitated from the performance of his usual and customary duties as a Program Counselor II, (2) find that his disability was not the result of an illness arising out of and in the course of his employment and (3) grant his application for a non-service-connected disability retirement.

<b>1805.4.3</b>	<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
	Aguilar, Ofelia	March 31, 2018	DAO
	Aison, Alexander	March 24, 2018	H.S.A. - ESS
	Aison, Catherine	March 24, 2018	H.S.A. - SIU

Armijo, Ronda	March 30, 2018	Probation
Arteaga, Lorenzo	March 27, 2018	Deferred from H.S.A.
Atijera, Esmirna	March 31, 2018	Health Services
Azzopardi, Elaine	March 24, 2018	H.S.A.
Bean, Jerry	March 30, 2018	DPW
Berger, Gaye	March 31, 2018	H.S.A.
Bertolucci, Estelle	March 31, 2018	Recorder's Deferred from Community Services
Bodamer, Shelley	March 10, 2018	DPW
Boeddiker, Edward	March 30, 2018	Sheriff's
Bovell, Marcel	March 24, 2018	H.S.A.
Branch, Karen	March 24, 2018	DPW/Hosp
Cayago, Arsenio	April 1, 2018	County Counsel
Chang, Cynthia	March 31, 2018	ISD
Chapman, Willie	March 31, 2018	H.S.A. - Finance
Clements, Eleanor	March 30, 2018	DPW
Coggins, Corey	March 31, 2018	HOS - Psychiatric Emergency Svcs
Cohen, Tracey	March 17, 2018	DPW
Costa, Joseph	March 30, 2018	Probation
Daniels, Henry	April 1, 2018	Probation
DeFelice, John	March 31, 2018	DPW
DeLuca, Donald	March 30, 2018	Deferred from CPS
Diaz, Maria C.	October 17, 2017	Health System
Dworkin, Diane	March 31, 2018	Courts
English, Starlette	March 6, 2018	HOS - Nursing
Evans, Elizabeth A.	March 31, 2018	H.S.A.
Falls, Lisabeth	March 3, 2018	Courts
Felise, Lynn	April 1, 2018	Probation
Fernando, Mario	March 31, 2018	Revenue Services
Fine, Robert	March 31, 2018	Aging & Adult Services
Fisk, Susan	March 31, 2018	Sheriff's
Flores, Michele	March 31, 2018	Probation
Foong, Joyce	March 31, 2018	Deferred from BHRS
Gerke, Carol	March 16, 2018	H.S.A.
Gilson, Christine	March 31, 2018	DPW
Golding, Ana	March 31, 2018	HOS - Psychiatric Emergency Svcs
Gorman, Helen	March 20, 2018	BHRS
Gross, Gloria	March 10, 2018	HOS - Long Term Care
Hart, Luz	March 31, 2018	Sheriff's
Hoskins, Leonard	March 10, 2018	Sheriff's
Howard, Mark	March 31, 2018	Sheriff's
Hurst, Carol	March 31, 2018	Deferred from Aging & Adult Serv
Hurst, Patricia	March 15, 2018	HOS - Medical Clinic
Jani, Amna	March 31, 2018	County Manager
Judilla, Reynalinda	March 31, 2018	Sheriff's
Justice, Gary	March 24, 2018	Sheriff's
Justice, Jerry	March 24, 2018	Probation
Kanhai, Shimon	March 23, 2018	Health - BHRS
Klyver, John	March 31, 2018	

Kong, Ken	March 31, 2018	H.S.A.
Kramer, Kimberly	March 6, 2018	Assessor's
Kumar, Veena	March 31, 2018	H.S.A.
Ladcani, Michelle	March 31, 2018	ISD
Lai, Tracy	March 31, 2018	Aging & Adult Services
Lau, Yin	April 1, 2018	Assessor's
Leipzig, Gregory	March 31, 2018	Deferred from Mosquito
Lennon, D. Edward	March 31, 2018	Mental Health
Marelich, Mark	March 31, 2018	DPW
Mariucci, Anthony	March 30, 2018	Sheriff's
Matsuura, Wesley	March 28, 2018	Sheriff's
McKague, Eddie	March 30, 2018	Sheriff's
McKowan, Melissa	February 26, 2018	D.A.O.
McMacken, Ines	March 13, 2018	H.S.A.
Molnar, Theresa	April 1, 2018	Probation
Moore, Jermaine	March 31, 2018	Probation
Morales, Teresa	March 31, 2018	Treasurer's
Moran, Patrick	March 31, 2018	Sheriff's
Morino, Jeffrey	March 24, 2018	Probation
Nader, Gerald	March 30, 2018	Sheriff's
Naidu, Tamara	March 31, 2018	HOS - Long Term Care
Nguyen, Kim T	March 31, 2018	H.S.A.
Niapas, Deborah	March 23, 2018	Probation
Nicholson, Darlene	March 31, 2018	H.S.A. - CFS
Olsson, Nancy	March 29, 2018	Deferred from Medical Center
Page, Janice	March 31, 2018	Sheriff's
Parker, Gloria	March 31, 2018	HOS - Outpatient Services
Patel, Pravin	March 31, 2018	H.S.A. - CFS
Pendleton, Donald	March 10, 2018	Agriculture
Perras, Todd	March 31, 2018	Probation
Presnall, Gailen	April 1, 2017	Behavioral Health
Reis, Clifford	March 24, 2018	Aging & Adult Services
Reyes, Armando	March 31, 2018	Courts
Riley, Harold	March 5, 2018	QDRO
Rivera, Angela	March 31, 2018	Tax Collector
Roberts, Romell V	March 26, 2018	Sheriff's
Rodriguez, Jesse Sy	March 31, 2018	DPW
Roldan, Nenita	March 31, 2018	Aging & Adult Services
Rupe, Vicki	March 23, 2018	Child Support Services
Saco, James	March 31, 2018	County Manager's Office
Sanchez, Frances	March 31, 2018	Family Health Services
Shankar, Mohini	March 30, 2018	H.S.A. - C&FS
Sibucao, Wilma	April 1, 2018	HOS - ICU
Silver, Lawrence	March 24, 2018	Probation
Skucas, Deborah	March 31, 2018	Correctional Health
Sol, Miguel	March 31, 2018	Assessor's
Szto, Alicia	March 31, 2018	Coroner's
Thames, Beverly	March 31, 2018	ISD
Toni, Kelli	March 17, 2018	Deferred from Sheriff's



Turk, David	April 1, 2018	Deferred from DAO
Van Steen, Leon	March 31, 2018	ISD
Varner, Sandra	March 31, 2018	Public Safety Commission
Vera, Maria	March 30, 2018	HOS- Environmental Services
Waran, Subidra	March 31, 2018	County Counsel
Warren, Carol	March 31, 2018	Courts
Wilson-Henry, Regina	March 31, 2018	Probation
Wright, Anita	March 24, 2018	H.S.A.
Young, Daniel	March 31, 2018	Sheriff's

1805.4.4 **Continuances:**

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Brake, Michael	Brake, Karen
Franz, Michelle	Heinaman, Barbara
Goth, Eivor	Goth, Theodore
Harper, Laurie	Harper, Gerald
Kraus, Caroline	Cutts, Gordon
Lee, Htoy	Lee, Pah
Roney-Carpenter, Joanne	Finney, Charles (Chuck)

1805.4.5 **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>
Espana Garces, Mariana	G5, Vested
Kim Amanda	G4, Vested
Pasos Addy K.	G4, Vested- Reciprocity
Vaquerano Rafael E.	G4, Vested
Zabarte Joie	G7, Non-vested – Reciprocity

1805.4.6 **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>
Hampel, John	G4, Non-vested
Lopez, Stephanie	G7, Non-vested
Mays, Sonia	G7, Non-vested
Mukherjee, Arpita	G7, Non-vested
Rodgers, Shane	G7, Non-vested
Wubneh, Askale	G7, Non-vested

1805.4.7 **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>
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Chaitow, Michelle  
Payan, Melissa

G7, Non-vested  
P7, Non-vested

1805.4.8 **Member Account Redeposits:** None.

1805.4.9 **Acceptance of Trustees' Reports of Educational Activities Through Outside Provider:** None.

1805.4.10 **Report on Prepayment of Employer Contributions:** The Board accepted the report on the County's Prepayment of Employer Contributions.

1805.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:**

The Chair called the matter of Elizabeth Brown-Dean's application for service-connected death benefits resulting from the death of William Dean. Ms. Brown-Dean was present and addressed the Board, in open session per her request. She provided additional information to the Board regarding Mr. Dean's job duties and working conditions. She set forth her position that the stress of his job caused or contributed to his death. She noted that her husband did not complain about work to others which is why there are no comments in his medical or employment records regarding the stress of his position.

**Action:** After consideration of Ms. Brown-Dean's comments and responses to questions posed to staff, Ms. Arnott motioned to accept staff's recommendation and find that: (1) William Dean's job as a Human Services Supervisor did not cause or contribute to his death; (2) deny the service-connected death benefit; and (3) grant a non-service-connected death benefit under Government Code Section 31781.1 (a). The motion was seconded by Mr. Hoefler. The motion was unanimously carried with a vote of 7-0-1 with trustees Arnott, Battey, Bowler, Hoefler, Salas, Spinello and Tourel in favor; and Mr. David abstained.

1805.5.2 **Approval of Actuarial Assumptions and Direction for Smoothing Methodology for the June 30, 2018**

**Actuarial Valuation:** Nick Collier, lead actuary from Milliman, Inc., discussed the continued use of the current economic actuarial assumptions for the June 30, 2018 actuarial valuation. Mr. Collier also discussed a proposed change to the five-year smoothing methodology that would further moderate changes in the employer's contribution rates.

**Action:** After discussion by the Board, a motion was made by Mr. Bowler and seconded by Mr. Hoefler to: (1) approve maintaining the following current economic actuarial assumptions: investment return at 6.75%; inflation at 2.50%; general wage and payroll growth at 3.00%; COLA assumptions of 2.5% for plan 1, 2.4% for plan 2; and 1.9% for plans 4, 5, 6 and 7, and (2) direct Milliman Inc. to use a modified smoothing methodology that includes a procedure to offset future gains and losses in the current period to further moderate changes in the employer's contribution rates. The motion was carried by a vote of 8-0 with trustees, Arnott, Battey, Bowler, David, Hoefler, Salas, Spinello and Tourel, all in favor; none opposed.

Richard Arrow of the San Mateo County Mosquito & Vector Control District raised the potential acceleration of the recognition of the District's supplemental contribution to reduce the District's unfunded actuarial accrued liabilities.

1805.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended April 30, 2018:**

Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for April was 0.6%, bringing the preliminary trailing twelve-month return ending April 2018 to 8% net. The twelve-month net return is below SamCERA's Plan Benchmark return of 9.8% but is higher than SamCERA's Actuarial Assumed Earnings Rate of 6.75%. This item was informational and for discussion only, no action was taken.

1805.6.2 **Report on Quarterly Investment Performance Report for the Period Ended March 31, 2018:**

Ms. Jadallah (Verus) discussed the 1st quarter net total return for the SamCERA portfolio was -0.5%, which was 20 bps higher than the -0.7% policy benchmark return. Private equity and fixed income were the main sources of relative outperformance, while hedge funds, absolute return and risk parity were the main detractors of relative performance during the quarter. This item was informational and for discussion only, no action was taken.

**1805.6.3 Report on Real Estate Annual Reviews:**

Ms. Ng reported the SamCERA staff and consultant held the annual review meeting on March 29 in SamCERA's office for the real estate debt manager, PGIM. On April 5, staff and consultant held the annual review meeting with INVESCO. The meetings consisted of a firm and organizational update, investment process review, performance review and attribution, and current positioning and market outlook. There were no significant concerns identified during the portfolio reviews. This item was informational and for discussion only, no action was taken.

**1805.6.4 Approval of Change to Private Equity and Private Real Asset Policy Benchmarks:**

Ms. Dames discussed the current set of benchmarks for SamCERA's private equity and private real assets programs. Staff proposed changing the private equity program policy benchmark to the Russell 3000 +3% (one-quarter lagged), and the private real assets policy benchmark to 50% S&P Global Infrastructure and 50% S&P Global Large-MidCap Commodity and Resources + 2% (one-quarter lagged). Staff also recommended these changes be effective April 1, 2018 so they may be utilized in the upcoming fiscal year ending June 30, 2018 quarterly performance report.

**Action:** Mr. David motioned to approve staff's recommendation to the changes to the policy benchmarks for SamCERA's private equity and private real asset programs effective April 1, 2018. The motion was seconded by Mr. Hoefler and carried with a vote of 7-0-1, with trustees Arnott, Battey, Bowler, David, Hoefler, Salas, and Tourel, all in favor; Spinello abstained; none opposed.

The meeting was adjourned for break at 11:20 a.m. and reconvened at 11:25 a.m.

**1805.6.5 Approval of Updated Asset Allocation Policy Portfolio:**

Ms. Jadallah and Mr. Quirk (Verus) discussed the Updated Asset Allocation Policy Portfolio. There were 5 proposed mixes to compare against our current policy. The primary difference between the mixes is the amount in risk parity. Proposed 1 (and 1a, which is a slightly more aggressive version of Proposed 1) contains no exposure to risk parity. Proposed 2 contains 4%, Proposed 3 contains 8% (current amount), and Proposed 4 contains 12% to risk parity. The other universal changes across all of the proposed mixes are a 1% reduction in private equity (and 1% corresponding increase to public equity) and utilizing low volatility equity and a 50% currency hedge for international developed equity as a way to dampen expected portfolio volatility. For the most part, all of the proposed mixes are similar in risk-adjusted returns, with the mixes containing higher risk parity exposure exhibiting higher expected returns and volatility (due to the leverage in the strategy).

**Action:** Mr. Bowler motioned to obtain the current allocation, Proposal 3. The motion was seconded by Mr. Hoefler and carried with a vote of 8-0 with trustees Arnott, Battey, Bowler, David, Hoefler, Salas, Spinello and Tourel, all in favor; none opposed.

**1805.6.6 Approval of process as recommended by staff to select a MLP manager:**

Mr. Nicolini (Verus) discussed the potential tactical opportunity in Master Limited Partnership (MLP) assets. Mr. Nicolini noted that MLP's are currently undervalued, while providing an attractive yield coupled with interesting growth prospects.

The meeting was adjourned for lunch at 12:30 p.m. and reconvened at 12:50 p.m. (Mr. Battey and Mr. Bowler left the meeting at 12:30 p.m.) Ms. Tourel replaced Mr. Battey as the Board Chair and continued the discussion of Agenda Item 6.6.

**Action:** Mr. Spinello moved to approve an investment of up to \$80 million with an MLP Manager to be selected by staff, subject to the process and parameters proposed by staff. The motion was seconded by Ms. Salas and carried with a vote of 5-1, with trustees David, Hoefer, Salas, Spinello and Tourel, in favor; and Arnott opposed.

**1805.7.1 Approval of SamCERA Fiscal Year 2018-2019 Budget:**

Ms. Chow discussed the proposed SamCERA budget for Fiscal Year 2018-19 budget, totaling \$35 million. Ms. Chow presented the specifics of the three components of SamCERA's budget: Professional, Administrative and Technology and answered a question from the Board.

**Action:** Mr. David moved to approve SamCERA's Fiscal Year 2018-19 budget. The motion was seconded by Mr. Spinello and carried with a vote of 6-0, with trustees Arnott, David, Hoefer, Salas, Spinello and Tourel, all in favor; none opposed.

**1805.7.2 Review of Draft Board Strategic Plan:**

Based on an internal analysis, Mr. Hood discussed that staff will continue to develop a draft for a three to five-year Board level strategic plan reflecting the long-term policies of the Board and will implement its strategy to carry out SamCERA's Mission and Goals. The Board and staff will regularly identify and analyze issues to determine if and how they may impact this strategy and whether any response is needed to address them. Mr. Hood also shared a draft vision statement with the Board; "To be a sustainable public retirement system through consistent and prudent investment in administration."

**1805.8.1 Chief Executive Officer's Report:**

Mr. Hood congratulated Mr. Battey and Mr. Tashman on their reappointments by the Board of Supervisors at their Board meeting. Mr. Battey and Mr. Tashman will be serving a new three-year term and will be sworn in at the July meeting, along with the trustees elected at the June Election. In addition, Mr. Hood mentioned that the SACRS magazine is included in the trustees' "Day of Folder" and he reminded the trustees about the Boards and Commissions reception hosted by the Board of Supervisors. Mr. Hood shared with the Board a card from Barbara Schumacher expressing her gratitude for the "Certificate of Adjournment" of her late husband, Gerald Schumacher. Lastly, Mr. Hood advised that at the next meeting there would be a strategic plan update and general information for the Board on SamCERA death benefits.

**1805.8.2 Assistant Executive Officer's Report:**

Ms. Smith reminded the Board to submit their \$25 to cover the non-recourse rider for the Fiduciary Liability Insurance. She gave a status update on trustee elections and that ballots have been mailed. Ms. Smith stated that she will send an email reminder to complete the Sexual Harassment Prevention Training for those trustees who have not yet completed it. Ms. Smith also mentioned Ms. Trujillo will be sending out a survey next week regarding thoughts on the Board/Staff Retreat that took place last month.

Ms. Trujillo shared the upcoming trainings/conferences with the Board and reminded SACRS and NCPERS attendees to submit their travel claims.

**1805.8.3 Chief Investment Officer's Report:**

Mr. Coultrip notified the Board that Faraz Shooshani will review the December 2017 Private Equity and Private Real Asset performance reports during the August meeting, and that staff will be disclosing the

AB 2823 Private Equity and Private Real Asset fee expenses, which will be the first disclosure under California Law. Mr. Coultrip informed the Board that SamCERA lost a re-up opportunity with Emergence Capital due to their AB 2833 disclosure concerns. He added that staff will be presenting a Real Estate pacing and allocation plan in either July or August. Lastly, Mr. Coultrip shared he attended the PGIM Real Estate Conference in New York last week. He provided positive insight on his experience.

1805.8.4 **Chief Legal Counsel's Report:** None.

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

1805.9.0 **Report on Actions Taken in Closed Session:** None.

1805.10 **Adjournment:** Ms. Tourel adjourned the meeting at 1:18 p.m. in memory of the deceased members listed below.

Hahn, Mark	March 9, 2018	Public Works
Gomez, Erma	April 1, 2018	Probation
Matson, Gloria	April 2, 2018	Tax Collector's Office
Gayle, Linford	April 4, 2018	Behavioral Health
Prasad, Angeline	April 5, 2018	Hospital
Li, Nancy	April 12, 2018	Sheriff
Fornes, Keven	April 14, 2018	Information Services
Gloria, Emilia	April 18, 2018	Medical Center
Belding, James	April 25, 2018	Sheriff
Saunders, Daniel	April 25, 2018	Assessor's
Gill, Eva	April 26, 2018	Health Services
Villaluna, Miguel	April 29, 2018	Controller's
Johnson, Frances	May 7, 2018	Social Service

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Scott Hood  
Chief Executive Officer

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Anne Trujillo  
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

July 24, 2018

Agenda Items 4.1- 4.9

**TO:** Board of Retirement

**FROM:** Elizabeth LeNguyen, Retirement Benefits Manager



**SUBJECT:** Approval of Consent Agenda Items 4.1 – 4.9

**4.1 Disability Retirements**

- a) The Board find that **Larry Burris** is (1) permanently incapacitated from the performance of his usual and customary duties as a Legal Office Specialist, (2) find that his disability was the result of an injury arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.
- b) The Board find that **Marie Castellanos** is (1) permanently incapacitated from the performance of her usual and customary duties as a Benefits Analyst II, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
- c) The Board find that **Mario Cousenes** is (1) permanently incapacitated from the performance of his usual and customary duties as a Custodian, (2) find that his disability was the result of an injury arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.
- d) The Board find that **Luz Hart** is (1) permanently incapacitated from the performance of her usual and customary duties as a Licensed Vocational Nurse, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
- e) The Board find that **Debbie Liljegren-Cullen** is (1) permanently incapacitated from the performance of her usual and customary duties as an Airport Operations Specialist II, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
- f) The Board find that **Ines McMacken** is (1) permanently incapacitated from the performance of her usual and customary duties as a Human Services Agency Supervisor, (2) find that her disability was not the result of an illness arising out of and in the course of her employment and (3) grant her application for a non-service-connected disability retirement.

#### 4.2 Survivor Death Benefits

None.

#### 4.3 Service Retirements

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Boyd, Susie	April 18, 2018	Deferred from Parks
Calderon-Sanchez, Maria	May 11, 2018	Assessor
Ervin, Rose	May 15, 2018	Deferred from Medical Center
Espiritu, Catalina	April 30, 2018	Deferred from Medical Center
Fletcher, Sherry	June 1, 2018	Deferred from District Attorney
Ganiban, Carolina	April 25, 2018	Deferred from Assessor
Houston, George	May 8, 2018	Deferred from Sheriff's Office
Kettering, David	April 22, 2018	Sheriff's Office
Kittell, Elihu	May 15, 2018	Sheriff's Office
Myers, Karen	May 21, 2018	Deferred from Medical Center
Raines, Marcia	April 7, 2018	Deferred from Environmental Health
Ramos, Beverly	May 1, 2018	Deferred from Mental Health
Rodriguez, Vicente	April 20, 1998	Agriculture Weights and Measures
Sterling, Prime	April 12, 2018	Public Works
Van Der Schoor, Patricia	June 1, 2018	Superior Court

#### 4.4 Continuances

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Aleman, Abit	Gayle, Linford
Belding, Debra	Belding, James
Burton, Nadene	Burton, Stephen
Fornes, Roseanna	Fornes, Kevin
Gregory, Jonathan	Gloria, Emilia

Hoffman, Guy	Hoffman, Nancy
Li, Daniel	Li, Nancy
Prasad, Ravindra	Prasad, Angeline
Summey, Ursula	Summey, Lemuel
Villaluna, Marilou	Villaluna, Miguel
Wilkins-Howard, Ida	Howard, Charles

#### 4.5 Deferred Retirements

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

Member Name	Retirement Plan Type
Ortiz-Gutierrez, Maricela	G7, Non-vested - Reciprocity
Smith, Sean Robert	G4, Vested - Reciprocity
Hart, Colin	G7, Non-vested - Reciprocity
Perkins, Maya J.	G4, Vested
Levintov, Irene L.	G4, Vested
Cirona-Singh, Alysia	G7, Non-vested – Reciprocity
Africa, Ronel Jei	G4, Vested - Reciprocity
Kraemer, Stephen E	G4, Vested - Reciprocity
Chu, Vivian	G7, Non-vested - Reciprocity
Saenz, Johanna	G7, Non-vested - Reciprocity

#### 4.6 Member Account Refunds

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

Member Name	Retirement Plan Type
Blank, Martin	G7, Non-vested
Carranza de Guzman, Maria	G4/G3, Non-vested
Cervantes-Mansberger, Gerardo	G7, Non-vested
Dela Cruz, Corina	G7, Non-vested
Grayson, Cathy (FBO: Gladys Grayson)	G2, Vested
Hernandez, Guadalupe	G7, Non-vested
Kamerschen, Vanessa	G7, Non-vested



Merola, Michelle	G7, Non-vested
Niu, Grace	G7, Non-vested
Perez, Ericka	G7, Non-vested
Phung, Kimmy	G7, Non-vested
Purewal, Sukhamrit	G7, Non-vested
Rohrer, Jason	G4, Vested
Romero, Kimberly	P4/G4, Vested
Serrano-Batol, Janice	G5, Non-vested
Valle, Elena	G5, Non-vested

#### 4.7 Member Account Rollovers

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

Member Name	Retirement Plan Type
Anjomshoaa, Andrea	G7, Non-vested
Baskin, Liane	G7, Non-vested
Desai, Natasha	G4, Non-vested
Phan, Jane	G7, Non-vested
Williams, John	G7, Non-vested

#### 4.8 Member Account Redeposits

None.

#### 4.9 Acceptance of Trustees' Reports of Educational Activities

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

July 18, 2018,

Agenda Item 4.9

**TO:** Board of Retirement

**FROM:** Anne Trujillo, Retirement Executive Secretary



**SUBJECT:** Trustee's Reports of Educational Activities

**Recommendation**

Accept the following reports from Board of Retirement trustees who have recently attended educational events.

**Background**

SamCERA's Education Policy Section 1D states "Prior to the next regularly scheduled meeting of the Board following the Board member's participation in an educational activity, the Board member shall submit for inclusion on the Consent Agenda, a summary written report on the content of educational activities. The report shall substantially reflect the information contained in the attached sample report."

**Discussion**

SamCERA Trustees attended the following educational events, and their reports are attached:

Pension Bridge, San Francisco, April 10-11, 2018

Mark Battey  
Kurt Hoefler  
Susan Lee

SACRS 2018 Spring Conference, Anaheim, May 15-18, 2018

Alma Salas  
David Spinello  
Sandie Arnott  
Susan Lee

NCPERS New York, May 13-16, 2018

Al David

**Attachments**

Trustee's Education Proof of Participation Certificates and Summaries

SamCERA Board of Retirement Trustee Education  
 Proof of Participation Certificate and Summary



Mark Battay	
Education Event Name Pension Bridge / SF	
Event Provider April 10 2018	
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	Eligible Credit: Total hours for sessions you participated in: <u>3</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                                 | <input type="checkbox"/> Disability evaluation        |
| <input type="checkbox"/> Ethics  | <input type="checkbox"/> Fair hearings                |
| <input type="checkbox"/> Benefits administration   | <input type="checkbox"/> Pension fund governance      |
| <input type="checkbox"/> Actuarial matters   | <input type="checkbox"/> New board member orientation |
| <input checked="" type="checkbox"/> Pension funding  | <input type="checkbox"/> Other: _____                 |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?  
Asset Allocation Global macroeconomic

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) <i>Mark Battay</i>	Date 4/24/18
--	-----------------

**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education  
 Proof of Participation Certificate and Summary



Kurt Hofer	
Education Event Name Pension Bridge San Francisco (April 10-11)	
Event Provider	
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	Eligible Credit: Total hours for sessions you participated in: <u>15</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> Fiduciary responsibilities  | <input type="checkbox"/> Disability evaluation        |
| <input type="checkbox"/> Ethics  | <input type="checkbox"/> Fair hearings                |
| <input type="checkbox"/> Benefits administration   | <input type="checkbox"/> Pension fund governance      |
| <input type="checkbox"/> Actuarial matters   | <input type="checkbox"/> New board member orientation |
| <input type="checkbox"/> Pension funding   | <input type="checkbox"/> Other: _____                 |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

Experts on a range of strategies relevant to pension fund management spoke at this conference. It was very useful to enhance my knowledge of these solutions. Good networking opportunities as well.

Would you recommend this event to other trustees?

- Yes       No       Maybe

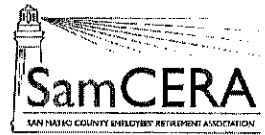
You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) 	Date 4/24/18
--	-----------------

**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education  
 Proof of Participation Certificate and Summary



Susan Lee	
Education Event Name Pension Bridge	
Event Provider	
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	Eligible Credit: Total hours for sessions you participated in: <u>16.5</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> Fiduciary responsibilities  | <input type="checkbox"/> Disability evaluation        |
| <input type="checkbox"/> Ethics  | <input type="checkbox"/> Fair hearings                |
| <input type="checkbox"/> Benefits administration   | <input type="checkbox"/> Pension fund governance      |
| <input type="checkbox"/> Actuarial matters   | <input type="checkbox"/> New board member orientation |
| <input type="checkbox"/> Pension funding   | <input type="checkbox"/> Other: _____                 |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

funds discussion: private  
real estate, hedge fund, equity  
risk parit

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) Susan Lee	Date 4.24.18
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**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education  
Proof of Participation Certificate and Summary



<b>Trustee Name</b> Al David		<b>Date(s) of Event</b> 5/12/18-5/16/18
<b>Education Event Name</b> NCPERS Accredited Fiduciary Program Model 1 & 2		
<b>Event Provider</b> <del>SACRS</del> NCPERS		
<b>Type of Participation:</b> Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		<b>Eligible Credit:</b> Total hours for sessions you participated in: <u>16</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                                 | <input type="checkbox"/> Disability evaluation              |
| <input type="checkbox"/> Ethics  | <input type="checkbox"/> Fair hearings                      |
| <input type="checkbox"/> Benefits administration   | <input checked="" type="checkbox"/> Pension fund governance |
| <input checked="" type="checkbox"/> Actuarial matters  | <input type="checkbox"/> New board member orientation       |
| <input checked="" type="checkbox"/> Pension funding  | <input type="checkbox"/> Other: _____                       |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

For investment & finance - items of particular value included how to better use external advisors in managing SamCERA assets. Also insight into what the board role in setting strategy & direction

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

<b>Trustee Signature</b> (print this form and sign) Al David	<b>Date</b> 5/22/18
---	------------------------

**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education  
Proof of Participation Certificate and Summary



<b>Trustee Name</b> Sandra Arnott		<b>Date(s) of Event</b> 5/15/18-5/18/18
<b>Education Event Name</b> SACRS Spring Conference		
<b>Event Provider</b> SACRS		
<b>Type of Participation:</b> Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	<b>Eligible Credit:</b> Total hours for sessions you participated in: <u>18</u> <i>(Staff may adjust hours if the provider issues an education certificate that reflects different hours.)</i>	

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** *(Check all that apply)*

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                      | <input checked="" type="checkbox"/> Disability evaluation   |
| <input type="checkbox"/> Ethics   | <input type="checkbox"/> Fair hearings                      |
| <input checked="" type="checkbox"/> Benefits administration                         | <input checked="" type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters  | <input type="checkbox"/> New board member orientation       |
| <input type="checkbox"/> Pension funding  | <input type="checkbox"/> Other: _____                       |
| <input type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

*Disability process procedures & process  
manages subsequent conflicts of interest  
investment options and reporting  
to economy under wrap*

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

<b>Trustee Signature</b> <i>(print this form and sign)</i> 	<b>Date</b> 5/22/18
--	------------------------

**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education  
Proof of Participation Certificate and Summary



<b>Trustee Name</b> Susan Lee		<b>Date(s) of Event</b> 5/15/18-5/18/18
<b>Education Event Name</b> SACRS Spring Conference		
<b>Event Provider</b> SACRS		
<b>Type of Participation:</b> Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		<b>Eligible Credit:</b> Total hours for sessions you participated in: <u>18</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                                 | <input type="checkbox"/> Disability evaluation              |
| <input checked="" type="checkbox"/> Ethics   | <input type="checkbox"/> Fair hearings                      |
| <input type="checkbox"/> Benefits administration   | <input checked="" type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters   | <input type="checkbox"/> New board member orientation       |
| <input checked="" type="checkbox"/> Pension funding  | <input type="checkbox"/> Other: _____                       |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

sexual harassment prevention  
geopolitical macro economy trends  
governance fiduciary responsibility

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

<b>Trustee Signature (print this form and sign)</b> SUSAN LEE	<b>Date</b> 5/22/18
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**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.



SamCERA Board of Retirement Trustee Education  
Proof of Participation Certificate and Summary



<b>Trustee Name</b> Alma Salas		<b>Date(s) of Event</b> 5/15/18-5/18/18
<b>Education Event Name</b> SACRS Spring Conference		
<b>Event Provider</b> SACRS		
<b>Type of Participation:</b> Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		<b>Eligible Credit:</b> Total hours for sessions you participated in: <u>18</u> <i>(Staff may adjust hours if the provider issues an education certificate that reflects different hours.)</i>

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** *(Check all that apply)*

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                      | <input type="checkbox"/> Disability evaluation              |
| <input checked="" type="checkbox"/> Ethics  | <input type="checkbox"/> Fair hearings                      |
| <input type="checkbox"/> Benefits administration                                    | <input checked="" type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters  | <input type="checkbox"/> New board member orientation       |
| <input checked="" type="checkbox"/> Pension funding                                 | <input type="checkbox"/> Other: _____                       |
| <input type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

*Efficiency of Resources. Sexual Harassment Training  
Financial Markets under Trump. Round table discussion  
Management investment consultant (criticisms of  
market)*

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

<b>Trustee Signature</b> <i>(print this form and sign)</i> <i>Alma R. Salas</i>	<b>Date</b> 5/22/18
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**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SamCERA Board of Retirement Trustee Education  
Proof of Participation Certificate and Summary



<b>Trustee Name</b> David Spinello		<b>Date(s) of Event</b> 5/15/18-5/17/18
<b>Education Event Name</b> SACRS Spring Conference		
<b>Event Provider</b> SACRS		
<b>Type of Participation:</b> Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	<b>Eligible Credit:</b> Total hours for sessions you participated in: <u>16</u> <i>(Staff may adjust hours if the provider issues an education certificate that reflects different hours.)</i>	

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

**Topic:** (Check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities                                 | <input type="checkbox"/> Disability evaluation        |
| <input checked="" type="checkbox"/> Ethics   | <input type="checkbox"/> Fair hearings                |
| <input type="checkbox"/> Benefits administration   | <input type="checkbox"/> Pension fund governance      |
| <input type="checkbox"/> Actuarial matters   | <input type="checkbox"/> New board member orientation |
| <input checked="" type="checkbox"/> Pension funding  | <input type="checkbox"/> Other: _____                 |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management |   |

**Summary Report**

What concepts or information did you learn about?

SEXUAL HARASSMENT  
GOV CODE BENEFIT TRUSTS  
GOVERNANCE

Would you recommend this event to other trustees?

- Yes       No       Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

<b>Trustee Signature</b> (print this form and sign) 	<b>Date</b> 5/22/18
---	------------------------

**NOTE:** Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

July 24, 2018

Agenda Item 4.10

**TO:** Board of Retirement

**FROM:** Doris Ng, Retirement Investment Analyst 

**SUBJECT:** Semi-Annual Compliance Certification Statements for Period Ended  
June 30, 2018

**Recommendation**

Accept the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers and investment consultant, as of June 30, 2018.

**Background**

As part of SamCERA's ongoing due diligence process, the Compliance Certification Statement is completed by each of the association's public equity, fixed income, real estate, risk parity and cash overlay investment managers on a semi-annual basis. The association's investment consultant also completes the certification. These statements are used to update SamCERA on any firm-wide compliance issues and to provide strategic-level information regarding such things as derivatives and portfolio positioning. For investment managers whose investments are considered "alternative investment vehicles" per the California Government Section Code §6254.26, the Compliance Certification Statements are not provided in the public board packet and will be sent separately to the Board.

**Discussion**

The attached Compliance Certification Statements report that SamCERA's investment managers and investment consultant are in compliance with SamCERA's Investment Policy as of June 30, 2018. There were no reported significant developments in portfolio construction, investment approach, firm ownership or organizational structure. There were no notable issues regarding industry or regulatory actions that impact SamCERA. The managers were also requested to provide data regarding the characteristics and composition of their portfolios. No prominent issues were identified during the review. Any items that raise concern will be brought to the manager's or investment consultant's attention and will be thoroughly vetted by staff.

Please note the Compliance Certification Statements for Franklin Templeton, Eaton Vance Parametric and Clifton Parametric were not received in time to be included in the mailing. They will be provided for the August Board meeting.

**Attachments**

Compliance Certification Statement Matrix 6-2018

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

Compliance Certification Statements (12)

- A. Domestic Equity: BlackRock, QMA
- B. International Equity - Developed: BlackRock, Baillie Gifford, Mondrian
- C. Fixed Income: BlackRock, Brown Brothers Harriman, Fidelity Institutional Asset Management (FIAM), PIMCO, Western Asset Management
- D. Real Estate: INVESCO
- E. Investment Consultant: Verus Advisory

***BlackRock Russell 1000 Index – June 30, 2018***

***Compliance Certification Statement  
San Mateo County  
Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018.**

**General Compliance Issues**

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?  
 Yes: Please explain. /  No

**Firm Ownership**

There have been no material changes to ownership in the past year ending 30 June 2018.

**ETF & Index Investments (“EII”) Strategies Team Changes**

While we had no additions or deletions to our EII leadership team in 1Q, we shifted some of our leaders around to aid them in developing broader client and product experience. These changes support our goals to deliver top quality, scaled product and portfolio engineering for all our clients. We made these changes with the goals of fostering deeper collaboration across the index asset allocation, institutional and ETF portfolio engineering teams.

In our new organizational structure, Greg Savage will lead the U.S. Index Asset Allocation team. The experience Greg has developed leading U.S. and Canada iShares positions him well to lead and continue growing our target date and custom asset allocation solutions. Amy Whitelaw will lead the U.S. and Canada iShares team. In her prior role leading U.S. Index Asset Allocation, Amy was a key partner in developing the LifePath investment process during a period of rapid growth. Amy will apply those same strengths to our iShares equity franchise, while continuing as a crucial partner for LifePath and member of the LifePath Executive Committee. Additionally, Rachel Aguirre will continue to lead the Institutional U.S. and Developed Markets teams, and she will now also oversee the ETF Developed Markets team.

There have been no significant changes to the organizational structure in the past year ending 31 March 2018.

To continue to grow and be a leader in our industry, BlackRock constantly looks for ways to better serve clients, increase efficiency in our organization and develop talent. Periodically we

take a fresh look at the firm to determine how we should evolve our organization in anticipation of changing market dynamics and client needs. This evolution is part of a continual effort to position the firm so that we can maximize our fullest potential for BlackRock and our clients.

In March 2018, we capitalized on our competitive advantages in portfolio construction by building, investing in, and scaling a portfolio construction and asset allocation ecosystem across three primary areas of excellence: investments, research, and client delivery. We reorganized our OCIO business to unify our multi-asset portfolio construction experts under a new investment pillar, Client Portfolio Solutions (“CPS”). CPS was previously organized under our client business. To support these investment teams with premier research we reorganized our professionals focused on Portfolio Research within our BlackRock Investment Institute (“BII”).

### **Global Executive Committee Changes**

In 2010, BlackRock created the Global Executive Committee to provide oversight of operations and business performance, strategy and planning, talent development and retention, risk management, and external affairs. The following chart shows turnover within the GEC:

In June 2018, Edwin Conway was appointed to the GEC in his role as the Global Head of Institutional Client Business.

Please refer to the link below for biographies of the firm’s current GEC members.

<http://www.blackrock.com/corporate/en-us/about-us/leadership>

2. Have there been any changes in the firm’s investment approach?

Yes: Please explain. /  No

BlackRock has followed the same investment philosophy of Total Performance Management for index strategies since 1971.

3. Have there have been any industry or regulatory disciplinary actions taken against the firm?

Yes: Please explain. /  No

As a global investment manager, BlackRock Inc., and its various subsidiaries including BTC may be subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BTC’s regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BTC correct or modify certain of its practices. In all such instances, BTC has addressed, or is working to address, these requests to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

BTC also receives subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators, some of which are ongoing. None of these matters has had or is expected to have any adverse impact on BTC’s ability to manage

its clients' assets. Please refer to BlackRock's Form ADV and SEC disclosures for additional information on regulatory matters concerning BTC or BlackRock as a whole. The recent fines related to BlackRock Inc. or BTC's investment advisory responsibilities are set forth below. These matters do not include fines paid to non-US regulators relating to the late filing of issuer-specific holdings reports.

On 8 March 2012, BlackRock Institutional Trust Company, N.A. ("BTC") entered into an Offer of Settlement (the "Agreement") with the CFTC and consented to the entry of an Order, which makes findings and imposes remedial sanctions against BTC. Without admitting or denying wrongdoing, BTC agreed to the imposition of a \$250,000 penalty and the entry of the Order to resolve allegations by the CFTC that two trades by BTC violated Section 4c(a)(1) of the Commodity Exchange Act and CFTC Regulation 1.38(a). BTC also agreed to refrain from any further violations of the above-mentioned statutory provisions. The CFTC did not allege that any clients of BTC, BlackRock or any related affiliate were harmed in any way in the execution of these two trades.

On 11 September 2012, the UK Financial Services Authority ("FSA") issued a Final Notice against BlackRock Investment Management (UK) Limited ("BIMUK"), following a settlement agreement reached between the FSA and BIMUK. The FSA found that BIMUK had breached certain provisions of the FSA's Client Money Rules and Principles, during the period 1 October 2006 to 31 March 2010, by not having trust letters in place for client money placed on money market deposit and not having adequate systems and controls for the identification and protection of client money in this respect. BIMUK agreed to a settlement payment of GBP 9,533,100 for the breach, which it had self-reported to the FSA in April 2010. The FSA final order acknowledged that no client of BIMUK (or BlackRock or any related affiliate) suffered any harm and that BIMUK had remedied the situation and put in place robust systems and controls relating to client money protection.

On 3 October 2012, BlackRock Financial Management Inc. ("BFM") reached an agreement with the U.S. Department of Labor ("DOL") to reimburse clients \$2,661,513 in connection with certain trades the DOL alleged violated Title I of the Employee Retirement Income Security Act ("ERISA"). BFM also agreed to pay to the DOL a \$266,151 penalty.

On 8 January 2014, BlackRock Inc. reached a settlement with the New York Attorney General's office ("AG") pursuant to which the AG found BlackRock's use of analyst surveys violated New York's Martin Act and Executive Law. The settlement did not involve the payment of any fine or other penalty although BlackRock paid \$400,000 to cover the AG's costs of investigation. BlackRock neither admitted nor denied the allegations, but agreed to stop using analyst surveys.

On 8 May 2014, the primary Italian securities regulator ("CONSOB") fined BlackRock Investment Management (UK) Limited ("BIMUK") 150,000 EURO (approximately \$205,826 USD) for negligent market manipulation. The fine was based on BIMUK's filing, on behalf of the BlackRock group of companies, a large shareholder report regarding its holdings in Unicredit S.p.A. to CONSOB in December 2011, that turned out to be incorrect.

On 16 September 2014, BlackRock Institutional Trust Company, N.A. (“BTC”) entered into an agreement with the SEC to resolve allegations relating to three alleged violations of an SEC regulation prohibiting short sales of an equity security during the restricted period preceding a public offering. The three trades at issue occurred in 2010 and 2011. As part of the approximately \$1.7 million settlement, BTC agreed to disgorge profits from each of the violations and to pay interest and a civil penalty. BTC also agreed to cease and desist from any future violations of the rule in question.

On 20 April 2015, BlackRock Advisors, LLC (“BAL”) reached a settlement with the Securities and Exchange Commission (“SEC”) regarding BlackRock’s handling of a former portfolio manager’s personal investments and involvement in a family business, Rice Energy LP and related entities. As part of the settlement, BAL agreed to pay a \$12 million penalty and retained an independent compliance consultant to review BlackRock’s policies and procedures regarding the outside activities of BlackRock’s employees. There was neither an allegation by the SEC of any loss to any BlackRock investors, nor did this settlement have any adverse impact on BlackRock’s ability to manage its clients’ funds.

On 17 January 2017, BlackRock Inc. reached an agreement with the SEC resolving a matter regarding a provision in an old version of BlackRock’s form employee separation agreement that the SEC believed violated Dodd Frank’s whistleblower provisions. The settlement with the SEC included a \$340,000 payment and BlackRock agreed it would not include the provision in future agreements. In addition, BlackRock agreed to notify by letter, certain former employees who signed the agreement between October 2011 and March 2016.

On 25 April 2017, BlackRock Fund Advisors (“BFA”) reached an agreement with the SEC resolving a matter regarding whether one BFA-managed ETF (the iShares MSCI Russia Capped ETF) was covered by certain exemptive relief the SEC previously granted BFA and other iShares funds. BFA, which did not admit or deny any of the SEC’s findings, agreed to resolve the matter for a civil monetary penalty of \$1.5 million.

BlackRock, Inc. and its various subsidiaries, including BTC, also have been subject to certain business litigation that has arisen in the normal course of their business. Our litigation has included a variety of claims, some of which are investment-related. None of BlackRock’s prior litigation has had, and none of its pending litigation currently is expected to have, an adverse impact on BlackRock’s ability to manage client accounts.

In past years, BlackRock has acquired organizations that provide investment-related services, including, but not limited to, State Street Research & Management Company, Merrill Lynch Investment Managers, the fund of funds business of Quellos Group, LLC, and Barclays Global Investors. This response does not address any regulatory or litigation that arose out of conduct within the acquired organizations prior to their acquisition by BlackRock. It also does not address any regulatory or litigation unrelated to BlackRock or BTC’s investment management responsibilities.

4. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA*?  
 Yes /  No: Please explain.



Yes. As a fiduciary investor and acting in the best long-term economic interest of our clients, we see voting at a company annual general meeting and special meetings as one of our responsibilities.

Voting is an essential part of our efforts to protect and enhance shareholder value. It is the most broad-based form of engagement we have with companies, and provides a channel for feedback to the board and management about investor perceptions of their performance and governance practices. BlackRock votes annually at more than 17,000 shareholder meetings. We take a case-by-case approach to the business put to a shareholder vote. Our analysis is informed by our internally-developed proxy voting guidelines, our company engagements and the situation at a particular company.

We intend to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. We generally prefer to engage in the first instance where we have concerns, and give management time to address or resolve the issue. We will vote in favor of proposals where we support the approach taken by a company's management or where we have engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where we believe the board or management may not have adequately acted to protect and advance the interests of long-term investors. We will abstain on proposals where we wish to indicate to the company we are concerned about its approach to certain issues and expect them to be responsive to investors' views. In all situations the economic interests of our clients will be paramount.

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/about-us/investment-stewardship/voting-guidelines-reports-position-papers#guidelines>. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda for the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We take vote decisions to achieve the outcome that we believe best protects our clients' long-term economic interests. We review our voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

All our regional voting guidelines are reviewed annually by regional teams and approved by regional oversight committees made up of senior manager leaders. The guidelines are amended as necessary in light of market trends, evolving governance practices, insights from engagements, and public policy developments.

In amending our guidelines, we conduct a regular review of research and developments in academic literature, and we engage with clients, fundamental analysts, and other market

participants regarding best practice and key issues of concern to shareholders. We also conduct periodic benchmarking to peers.

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/en-zz/about-us/investment-stewardship/voting-guidelines-reports-position-papers>. Our voting guidelines are intended to help companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda for the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We take vote decisions to achieve the outcome that we believe best protects our clients' long-term economic interests. BlackRock reviews our voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

5. Has the firm's insurance coverage been sustained?

Yes /  No: Please explain.

BlackRock maintains the following types of global insurance coverage:

Type
Investment Advisers Professional Liability (aka Errors & Omissions Liability)
Fidelity Bond (aka Crime or Financial Institution Bond)

Although we do not disclose the insurer information and level of coverage, BlackRock only places insurance with insurers rated "Excellent" by AM Best and maintains coverage at levels that are commercially reasonable and consistent with industry peers.

### Investment Management Fees

1. Is *SamCERA*'s investment management fee schedule less favorable than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. /  No

### Derivative Investments

1. Are derivatives used in the management of the investment strategy?

Yes: Please ANSWER the remaining questions in this section.

No: Please SKIP the remaining questions in this section.

We typically use exchange traded equity index futures in our strategies for the purposes of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.

Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes /  No: **Please explain.**

N/A

3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?

Yes /  No

If Yes:

- a) Do the counter-parties have investment grade debt?  Yes/  No  
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  Yes/  No: **Please explain.**

N/A

4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?

Yes /  No

If Yes:

- a) Do the counter-parties have investment grade debt?  Yes/  No  
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 Yes/  No: **Please explain.**

N/A

5. Is individual counter-party exposure well diversified?  Yes/  No: **Please explain.**

- a) What is the largest exposure to a single counter-party within the portfolio?  
b) Please specify the name of the counter-party and the amount of exposure.  
c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

### Managing Counterparty Credit Risk

BlackRock's philosophy is to manage counterparty credit risk conservatively. As such, the firm actively monitors counterparty credit risk exposures globally and evaluates counterparty credit

quality on a continuous basis. We believe that our policies and procedures for counterparty risk management are robust and thorough.

In 2005, BlackRock established the Counterparty & Concentration Risk Group, a dedicated team of professionals that leads the global process for managing counterparty risk. The Group is responsible for managing credit risk in all trading relationships with counterparties and to that end coordinates with Credit Research, Investment Strategies, Trading & Liquidity Strategies, Legal & Compliance, Operations, and data integrity functions across the organization. The Group monitors and assesses counterparty exposures arising from both bilateral and centrally-cleared products that include derivatives, mortgage TBAs, foreign exchange, financing trades (repo and securities lending), equities, fixed income securities and other forward-settling transactions. Reporting is generated to show aggregate risk exposures by counterparty and by portfolio.

The Counterparty & Concentration Risk Group developed the firm-wide Counterparty Credit Policies and Procedures, and is responsible for implementing, updating and enforcing them, as follows:

- Assess prospective trading counterparty creditworthiness and approve counterparties;
- Measure and monitor credit exposure to each counterparty, broken out by asset classes;
- Monitor financial performance of counterparties in order to establish, confirm, or adjust exposures as needed;
- Monitor levels of exposure by product, by tenor, and by counterparty, and provide feedback to Trading & Liquidity Strategies when aggregate exposures warrant; and
- Provide guidance and supervision of credit issues for ISDA and other transaction documentation.

The firm has Credit Alert Procedures which serve as a guideline for the action and interaction of key BlackRock constituencies in the case of a counterparty related “credit event.” These procedures specifically contemplate the coordination among the Counterparty & Concentration Risk, Investment Strategies, Trading & Liquidity Strategies, Legal, and Operations groups in order to facilitate BlackRock’s ability to make timely and informed decisions following the recognition of credit concerns. The major aspects addressed include fact finding, communication, liquidation and close-out, and key roles and responsibilities.

### **BlackRock's Counterparty Approval Process**

BlackRock focuses primarily on counterparty credit risk and counterparty reputation risk. Counterparty credit risk is the potential loss that BlackRock clients' accounts or BlackRock accounts could incur if a counterparty is unable to perform on its trading commitments. Reputation risk is defined as the risk to earnings or capital arising from negative public opinion. The process by which we select broker/dealer counterparties for transaction purposes is outlined below.

*Determine the nature of the proposed transaction activity:*

What are the securities to be traded? What is the expected volume by security?

*Determine the settlement and delivery procedure:*

How is our client going to receive monetary compensation in exchange for delivering the particular security in question? If the client is going to receive securities, how is the counterparty going to deliver those securities? Is settlement through an established clearing platform or is there also a physical settlement? From a delivery risk perspective, we view DTC and Fed settlement along with settlement through several other established trading and clearing platforms to be of limited risk. We view settlement via other methodologies as bearing potentially significant risk, and generally limit such activity to investment grade counterparty groupings. OTC derivatives are transacted with major global financial institutions.

*Determine if the proposed counterparty settles transactions "directly" or uses a correspondent:*

Most "agency" counterparties utilize correspondents to clear securities for them. If they do so, who are they using? On what basis are they clearing, fully disclosed or otherwise? BlackRock will only accept clearing correspondents that are well-capitalized, well-established, and possess a favorable reputation in the marketplace.

*Settlement risk tolerance levels:*

BlackRock has established certain tolerance levels for aggregate exposure to settlement risk, defined as a credit balance on all trades outstanding but not settled. The level reflects our settlement risk tolerance per counterparty and is monitored by BlackRock's Counterparty & Concentration Risk Group on a daily basis. If the threshold is exceeded, the trade details are reviewed in concert with the counterparty's financial strength in order to determine if any intervention is required.

*Financial review:*

Our view is that the level and trend of excess regulatory capital, as shown in the financial information, is a key barometer of the financial strength of our trading counterparty. Most brokerage firms are required to calculate and report this figure to regulatory authorities on a periodic basis. We are directly interested in ensuring that the process is maintained.

As previously stated, non-investment grade counterparties are required to clear through well-established clearing correspondents and are generally limited to short settlement trades. Updated regulatory financial filings are reviewed on an ongoing basis. Major financial institutions are additionally monitored as part of BlackRock's internal credit research process and via alert portfolios with market data service providers.

### **Counterparty Exposure Monitoring**

BlackRock prefers to have multiple counterparties for liquidity, risk management, and best execution purposes. The counterparties with which we trade must have broad market coverage. Positions are marked-to-market on a regular basis and exposure to each counterparty is monitored. Transaction documentation is implemented where appropriate to minimize exposure to individual counterparties.

To monitor post-trade counterparty risk, BlackRock has implemented a strong technological infrastructure and proprietary internal review processes. BlackRock also has a number of

reporting tools on the Aladdin platform that allow us to manage counterparty exposure, balancing net exposures to our different counterparties. Where necessary, credit risk exposure to counterparties can be adjusted, both at the individual portfolio level and at the aggregate firm-wide level.

### **Country Risk**

Members of the Counterparty & Concentration Risk Group are active participants in BlackRock's Global Country Operating Risk Committee. The Committee includes participants from Legal & Compliance, Business Operations, Fund Services, Product Tax, and Risk & Quantitative Analysis, along with representation from each of the Investment groups.

This Committee meets regularly to consider, inter alia, the legal status, ownership and official recognition of exchanges and clearing houses, trading and settlement practices and procedures and BlackRock's ability to track trades from execution to settlement in the various trading markets. For markets where direct local access to exchanges is deemed to present inappropriately high risks for client portfolios, a range of restrictions may be applied.

6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivative positions.

BlackRock's Global Valuation methodologies Committee provides oversight of the valuation of investments for the Funds and certain Accounts. Assets of funds and Accounts are valued in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820-10, Fair Value Measurements and Disclosures. ASC 820-10 establishes a fair valuation hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels: Level I, Level II, Level III. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). See additional details about valuation procedures and external pricing agents/sources in "16 Things You Should Know" attached.

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

As stated above, we typically use equity index futures in our strategies for the purpose of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.

Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash

equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  Yes: Please explain. /  No

**Domestic Equity Portfolios (Large, Mid & Small)**

1. Please state the percentage of the portfolio held in each of the following types of securities

<i>Common Stock</i>	<i>99.44%</i>
<i>Preferred Stock</i>	<i>0.00%</i>
<i>Convertible Securities</i>	<i>0.00%</i>
<i>Cash &amp; Equivalents</i>	<i>0.56%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios? Please specify percentages.

<i>Large-Cap</i>	<i>71.71%</i>
<i>Mid-Cap</i>	<i>28.29%</i>
<i>Small-Cap</i>	<i>0.00%</i>

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

0%

4. Does the portfolio invest in emerging and/or frontier markets?  Yes /  No


a) If Yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets.

5. What is the largest percentage of the portfolio represented by a single security? Please specify the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why.

Apple Inc (3.48% of the total fund).

6. What is the largest percentage of the portfolio represented by a single industry? Specify the name of the industry, percentage amount and size relative to benchmark. Please specify all industries above 15%.

Information Technology – 25.41% of portfolio versus 25.58% of benchmark.

Signed by:   
Dated: 7/12/18  
Name of Firm Black Rock



***Quantitative Management Associates U.S. Small Cap Core – June 30, 2018***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018.**

**General Compliance Issues**

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?  
 **Yes: Please explain.** /  **No**

In the first quarter of 2018, QMA combined our Dynamic Asset Allocation and Global Portfolio Solutions investment professionals into the Global Multi-Asset Solutions (GMS) team.

2. Have there been any changes in the firm's investment approach?  
 **Yes: Please explain.** /  **No**
3. Have there have been any industry or regulatory disciplinary actions taken against the firm?  
 **Yes: Please explain.** /  **No**
4. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA*?  
 **Yes** /  **No: Please explain.**
5. Has the firm's insurance coverage been sustained?  
 **Yes** /  **No: Please explain.**

**Investment Management Fees**

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?  
 **Yes: Please explain.** /  **No**

**Derivative Investments**

1. Are derivatives used in the management of the investment strategy?

- Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**

**We may use fully collateralized exchange-listed stock index futures or ETFs to remain fully invested.**

2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes /**  **No: Please explain.**

**N/A. We only utilize exchange-listed derivatives in this strategy.**

3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 **Yes /**  **No**

**N/A. We only utilize exchange-listed derivatives in this strategy.**

**If Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes/**  **No**  
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  **Yes/**  **No: Please explain.**

4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 **Yes /**  **No**

**N/A. We only utilize exchange-listed derivatives in this strategy.**

**If Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes/**  **No**  
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes/**  **No: Please explain.**

5. Is individual counter-party exposure well diversified?  **Yes/**  **No: Please explain.**

- a) What is the largest exposure to a single counter-party within the portfolio?

**Futures exposure at JP Morgan accounted for 1.86% of the Fund as of 6/30/2018.**

- b) Please specify the name of the counter-party and the amount of exposure.

**The exposure in futures at JP Morgan was \$6,260,500 as of 6/30/2018.**

- c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

**No, there were no changes to QMA's list of approved counterparties over the past six months.**

6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivative positions.

**N/A. We do not utilize non-exchange-listed derivatives in this strategy.**

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

**Transactions for client accounts must be made through brokers (including prime brokers), futures commission merchants and other counterparties (for example, swap counterparties) on our approved counterparty list.**

**Counterparties are approved by our chief investment officer. Criteria for approval include:**

- **financial and operational stability (including, but not limited to, profitability, liquidity, financial metrics, economic factors, size, market presence, and reputation);**
- **execution, clearance, and settlement capabilities; and**
- **commission rates (if applicable) and other transaction costs.**

**In selecting a counterparty for a particular transaction, we also consider factors such as the following:**

- **the nature of the portfolio transaction;**
- **the size of the transaction;**
- **the desired timing of the trade;**
- **the activity existing and expected in the market for the particular transaction;**
- **confidentiality – i.e. not revealing details about our trades or trading patterns with other brokers or market participants;**
- **the amount of capital, if any, that would be contributed by firms executing the transaction;**
- **administrative cooperation; and**
- **client or regulatory restrictions on use of certain counterparties.**

**A prime brokerage relationship is one in which services such as securities lending, leveraged trade execution and cash management are provided. In QMA, prime brokerage services are integral for investment strategies that require short sales of equity securities. Specific criteria for prime broker selection and approval include depth of**

shorting availability, strong knowledge of local shorting laws and regular shorting costs updates.

Monitoring of certain counterparties is performed on an ongoing basis by reviewing specific credit metrics such as credit spread and credit rating. Our chief investment officer and head of trading review the metrics to assess potential exposures. Other non-credit metrics reviewed by our risk management function include stock price and collateral posting activity.

QMA maintains an approved counterparty list. In some cases, we set dollar exposure limits on a net basis for a counterparty. Class types and corresponding dollar limits are directly related to the risk of the transaction, transaction collateral, and our opinion regarding the creditworthiness of the counterparty. We analyze the financial and operational stability of approved counterparties, and consider new proposed counterparties from time to time. We may add or remove counterparties from our approved list based on this ongoing review. Our trade management oversight committee, which meets periodically, reviews and assesses counterparty usage data, patterns (if any) relating to counterparty use, and other information relevant to our counterparty selection process.

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  Yes: Please explain. /  No

### Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities

<i>Common Stock</i>	<i>97.94%</i>
<i>Preferred Stock</i>	<i>0%</i>
<i>Convertible Securities</i>	<i>0%</i>
<i>Cash &amp; Equivalents</i>	<i>0.21%</i>
<i>Other: Futures / Options / Derivatives</i>	<i>1.86%</i>

Source: QMA  
As of 6/30/2018

2. Specify the large, mid and small capitalization exposure of the portfolios? Please specify percentages.

<i>Large-Cap (&gt;\$15b)</i>	<i>0%</i>
<i>Mid-Cap (\$2b - \$15b)</i>	<i>54.59%</i>
<i>Small-Cap (\$100mm - \$2b)</i>	<i>45.41%</i>

Source: QMA  
As of 6/30/2018

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

**0%.**

4. Does the portfolio invest in emerging and/or frontier markets?  Yes /  No

a) If **Yes**, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets.

5. What is the largest percentage of the portfolio represented by a single security? Specify the name of the security and percentage amount. If any securities were above 5% at the time of purchase, please list and explain why.

**As of 6/29/2018, the largest holding in your account, FibroGen Inc., made up 0.97% of the market value of your portfolio.**

6. What is the largest percentage of the portfolio represented by a single industry? Specify the industry, percentage amount and size relative to benchmark. Please specify all industries above 15%.

**As of 6/29/2018, the largest industry in your portfolio was the Financial industry, which made up 17.18% of the portfolio. By contrast the Russell 2000® Index held 17.95% in the Financial industry, which is a difference of 0.71%.**

*\*The Russell 2000® Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company.*

7. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

<b>Account</b>	<b>As of 6/29/2018</b>	<b>% of Firm AUM</b>
<b>US Small Cap Core</b>	\$2,272 million	1.80%
<b>SamCERA</b>	\$107 million	0.08%
<b>Firm</b>	\$126,297 million	100%

Signed by: Kevin McGrory  
Dated: June 12, 2018  
Name of Firm: Quantitative Management Associates, LLC (QMA)

***Baillie Gifford Overseas International Growth – June 30, 2018***

*Compliance Certification Statement*

*San Mateo County*

*Employees' Retirement Association*

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018**.

**General Compliance Issues**

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?  
 **Yes** /  **No: Please explain.**
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm?  
 **Yes** /  **No: Please explain.**
3. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?  
 **Yes: Please explain.** /  **No**

There have been no significant portfolio developments or major changes in firm ownership, organizations structure or personnel other than partnership retirements and appointments.

Four retirements from, and five appointments to, the Partnership took place in 2018.

Matthew Brett, Investment Manager; James Squires, Investment Manager; Amy Attack, Client Service Director; Nick Wood, Client Service Director; and Evan Delaney, Director of Business Risk and Internal Audit, became partners as of May 1, 2018.

Sarah Whitley, Head of the Japanese Equity team; Stephen Rodger and Ken Barker, both Partners within the firm's fixed income area; and Pete Cooke, Partner with responsibility for clients in the Long Term Global Growth strategy retired from the firm on April 30, 2018.

As a result, the total number of Partners increased to 44 from May 1, 2018.

The following changes have been made at subsidiary level:

Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited. It does not currently carry out any business, but it is intended that it shall provide investment management services to clients in Europe and investment management services to the Baillie Gifford Worldwide Funds plc. It is incorporated in Ireland as a limited liability company under the Companies Act 2014. It was set up in May 2018 and has not yet commenced regulatory business.

Tuharo Investments sp. z o.o. is a wholly owned by Baillie Gifford Services Limited and provides Information Systems development and other IT services to the Baillie Gifford group entities. It is incorporated in Poland as a limited liability company under Polish Code of Commercial Companies. It was acquired in May 2018.

4. Have there been any changes in the firm's investment approach?  
 **Yes: Please explain.** /  **No**
5. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios?  
 **Yes: Please explain.** /  **No**
6. Have there have been any industry or regulatory disciplinary actions taken against the firm?  
 **Yes: Please explain.** /  **No**
7. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?  
 **Yes** /  **No: Please explain.**
8. Have there been any investment guideline breaches during the prior 6 months?  
 **Yes: Please explain.** /  **No**
9. Has the firm's insurance coverage been sustained?  
 **Yes** /  **No: Please explain.**

### **Investment Management Fees**

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?  
 **Yes: Please explain.** /  **No**

### **Derivative Investments**

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**
2. Are derivative investments in compliance with *SamCERA's* investment policies?  
 **Yes** /  **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes** /  **No: Please explain.**

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 Yes /  No

If Yes:

- a) Do the counter-parties have investment grade debt?  Yes/  No  
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  Yes/  No: **Please explain.**

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 Yes /  No

If Yes:

- a) Do the counter-parties have investment grade debt?  Yes/  No  
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 Yes/  No: **Please explain.**

6. Is individual counter-party exposure well diversified?  Yes/  No: **Please explain.**  
a) What is the largest exposure to a single counter-party within the portfolio?  
b) Please specify the name of the counter-party and the amount of exposure.  
c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies?  Yes /  No: **Please explain.**

- a) Has the firm developed any new purposes for derivative investments?  Yes: **Please explain.** /  No

8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.

- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.  Yes /  No: **Please explain.**  
b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

9. State if any restricted derivative investments are held in *SamCERA's* portfolios.  
 Yes /  No

- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.



10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors?  **Yes** /  **No: Please explain.**
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement?  **Yes** /  **No: Please explain.**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  **Yes: Please explain.** /  **No**

### **Investment Manager Guidelines**

1. Are portfolio holdings well-diversified, and made in liquid securities?  
 **Yes** /  **No: Please explain.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?  **Yes: Please explain.** /  **No**

### **Cash & Equivalents**

1. Does the firm directly invest in short term fixed income investments?  **Yes** /  **No**
  - a) If **Yes**, do the investments comply with the policies?  **Yes** /  **No: Please explain.**

### **International Equity Portfolios - Developed**

1. Specify the percentage of the portfolio held in each of the following types of securities:

<i>Foreign Ordinary Shares</i>	<i>85.8%</i>
<i>ADR's</i>	<i>10.0%</i>
<i>Cash &amp; Equivalents (Foreign)</i>	<i>0.1%</i>
<i>Cash &amp; Equivalents (Domestic)</i>	<i>0.8%</i>

Data as at March 31, 2018. Domestic = USD

As per our previous disclosures we can confirm that GDR's held as at March 31, 2018 were a total of 3.3% of the portfolio.

2. Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap</i>	<i>0.5%</i>
<i>Mid-Cap</i>	<i>26.5%</i>
<i>Small-Cap</i>	<i>73.0%</i>

Data as at March 31, 2018.

Large = >\$10bn, Mid = \$1.5bn to \$10bn, Small = \$0-\$1.5bn

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  **Yes** /  **No: Please explain**
4. Does the portfolio invest in emerging and/or frontier markets?  **Yes** /  **No**
- a) If **Yes**, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets.

28.2% of SamCERA's portfolio is invested in Emerging Markets as at 31 March 2018.

5. Does the portfolio currently employ a currency hedging strategy?  **Yes** /  **No**
6. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

As at March 31 2018, firm wide assets under management were \$249,142 million, whilst the ACWI ex US Focus strategy held \$11,450 million in assets, 4.6% of overall firm assets.

On the same date SamCERA's portfolio held \$252 million, comprising 2.2% of strategy assets.

We are happy to provide data to all questions as at June 30, 2018 once available, if this is required.

Signed by:  
Joe Faraday

Dated:  
12 July 2018

Name of Firm:  
Baillie Gifford Overseas Limited

***BlackRock EAFE Index – June 30, 2018***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018.**

**General Compliance Issues**

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?

Yes: Please explain. /  No

**Firm Ownership**

There have been no material changes to ownership in the past year ending 30 June 2018.

**ETF & Index Investments ("EII") Strategies Team Changes**

While we had no additions or deletions to our EII leadership team in 1Q, we shifted some of our leaders around to aid them in developing broader client and product experience. These changes support our goals to deliver top quality, scaled product and portfolio engineering for all our clients. We made these changes with the goals of fostering deeper collaboration across the index asset allocation, institutional and ETF portfolio engineering teams.

In our new organizational structure, Greg Savage will lead the U.S. Index Asset Allocation team. The experience Greg has developed leading U.S. and Canada iShares positions him well to lead and continue growing our target date and custom asset allocation solutions. Amy Whitelaw will lead the U.S. and Canada iShares team. In her prior role leading U.S. Index Asset Allocation, Amy was a key partner in developing the LifePath investment process during a period of rapid growth. Amy will apply those same strengths to our iShares equity franchise, while continuing as a crucial partner for LifePath and member of the LifePath Executive Committee. Additionally, Rachel Aguirre will continue to lead the Institutional U.S. and Developed Markets teams, and she will now also oversee the ETF Developed Markets team.

There have been no significant changes to the organizational structure in the past year ending 31 March 2018.

To continue to grow and be a leader in our industry, BlackRock constantly looks for ways to better serve clients, increase efficiency in our organization and develop talent. Periodically we

take a fresh look at the firm to determine how we should evolve our organization in anticipation of changing market dynamics and client needs. This evolution is part of a continual effort to position the firm so that we can maximize our fullest potential for BlackRock and our clients.

In March 2018, we capitalized on our competitive advantages in portfolio construction by building, investing in, and scaling a portfolio construction and asset allocation ecosystem across three primary areas of excellence: investments, research, and client delivery. We reorganized our OCIO business to unify our multi-asset portfolio construction experts under a new investment pillar, Client Portfolio Solutions (“CPS”). CPS was previously organized under our client business. To support these investment teams with premier research we reorganized our professionals focused on Portfolio Research within our BlackRock Investment Institute (“BII”).

### **Global Executive Committee Changes**

In 2010, BlackRock created the Global Executive Committee to provide oversight of operations and business performance, strategy and planning, talent development and retention, risk management, and external affairs. The following chart shows turnover within the GEC:

In June 2018, Edwin Conway was appointed to the GEC in his role as the Global Head of Institutional Client Business.

Please refer to the link below for biographies of the firm’s current GEC members.

<http://www.blackrock.com/corporate/en-us/about-us/leadership>

2. Have there been any changes in the firm’s investment approach?

Yes: Please explain. /  No

BlackRock has followed the same investment philosophy of Total Performance Management for index strategies since 1971.

3. Have there have been any industry or regulatory disciplinary actions taken against the firm?

Yes: Please explain. /  No

As a global investment manager, BlackRock Inc., and its various subsidiaries including BTC may be subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BTC’s regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BTC correct or modify certain of its practices. In all such instances, BTC has addressed, or is working to address, these requests to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

BTC also receives subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators, some of which are ongoing. None of

these matters has had or is expected to have any adverse impact on BTC's ability to manage its clients' assets. Please refer to BlackRock's Form ADV and SEC disclosures for additional information on regulatory matters concerning BTC or BlackRock as a whole. The recent fines related to BlackRock Inc. or BTC's investment advisory responsibilities are set forth below. These matters do not include fines paid to non-US regulators relating to the late filing of issuer-specific holdings reports.

On 8 March 2012, BlackRock Institutional Trust Company, N.A. ("BTC") entered into an Offer of Settlement (the "Agreement") with the CFTC and consented to the entry of an Order, which makes findings and imposes remedial sanctions against BTC. Without admitting or denying wrongdoing, BTC agreed to the imposition of a \$250,000 penalty and the entry of the Order to resolve allegations by the CFTC that two trades by BTC violated Section 4c(a)(1) of the Commodity Exchange Act and CFTC Regulation 1.38(a). BTC also agreed to refrain from any further violations of the above-mentioned statutory provisions. The CFTC did not allege that any clients of BTC, BlackRock or any related affiliate were harmed in any way in the execution of these two trades.

On 11 September 2012, the UK Financial Services Authority ("FSA") issued a Final Notice against BlackRock Investment Management (UK) Limited ("BIMUK"), following a settlement agreement reached between the FSA and BIMUK. The FSA found that BIMUK had breached certain provisions of the FSA's Client Money Rules and Principles, during the period 1 October 2006 to 31 March 2010, by not having trust letters in place for client money placed on money market deposit and not having adequate systems and controls for the identification and protection of client money in this respect. BIMUK agreed to a settlement payment of GBP 9,533,100 for the breach, which it had self-reported to the FSA in April 2010. The FSA final order acknowledged that no client of BIMUK (or BlackRock or any related affiliate) suffered any harm and that BIMUK had remedied the situation and put in place robust systems and controls relating to client money protection.

On 3 October 2012, BlackRock Financial Management Inc. ("BFM") reached an agreement with the U.S. Department of Labor ("DOL") to reimburse clients \$2,661,513 in connection with certain trades the DOL alleged violated Title I of the Employee Retirement Income Security Act ("ERISA"). BFM also agreed to pay to the DOL a \$266,151 penalty.

On 8 January 2014, BlackRock Inc. reached a settlement with the New York Attorney General's office ("AG") pursuant to which the AG found BlackRock's use of analyst surveys violated New York's Martin Act and Executive Law. The settlement did not involve the payment of any fine or other penalty although BlackRock paid \$400,000 to cover the AG's costs of investigation. BlackRock neither admitted nor denied the allegations, but agreed to stop using analyst surveys.

On 8 May 2014, the primary Italian securities regulator ("CONSOB") fined BlackRock Investment Management (UK) Limited ("BIMUK") 150,000 EURO (approximately \$205,826 USD) for negligent market manipulation. The fine was based on BIMUK's filing, on behalf of the BlackRock group of companies, a large shareholder report regarding its holdings in Unicredit S.p.A. to CONSOB in December 2011, that turned out to be incorrect.

On 16 September 2014, BlackRock Institutional Trust Company, N.A. (“BTC”) entered into an agreement with the SEC to resolve allegations relating to three alleged violations of an SEC regulation prohibiting short sales of an equity security during the restricted period preceding a public offering. The three trades at issue occurred in 2010 and 2011. As part of the approximately \$1.7 million settlement, BTC agreed to disgorge profits from each of the violations and to pay interest and a civil penalty. BTC also agreed to cease and desist from any future violations of the rule in question.

On 20 April 2015, BlackRock Advisors, LLC (“BAL”) reached a settlement with the Securities and Exchange Commission (“SEC”) regarding BlackRock’s handling of a former portfolio manager’s personal investments and involvement in a family business, Rice Energy LP and related entities. As part of the settlement, BAL agreed to pay a \$12 million penalty and retained an independent compliance consultant to review BlackRock’s policies and procedures regarding the outside activities of BlackRock’s employees. There was neither an allegation by the SEC of any loss to any BlackRock investors, nor did this settlement have any adverse impact on BlackRock’s ability to manage its clients’ funds.

On 17 January 2017, BlackRock Inc. reached an agreement with the SEC resolving a matter regarding a provision in an old version of BlackRock’s form employee separation agreement that the SEC believed violated Dodd Frank’s whistleblower provisions. The settlement with the SEC included a \$340,000 payment and BlackRock agreed it would not include the provision in future agreements. In addition, BlackRock agreed to notify by letter, certain former employees who signed the agreement between October 2011 and March 2016.

On 25 April 2017, BlackRock Fund Advisors (“BFA”) reached an agreement with the SEC resolving a matter regarding whether one BFA-managed ETF (the iShares MSCI Russia Capped ETF) was covered by certain exemptive relief the SEC previously granted BFA and other iShares funds. BFA, which did not admit or deny any of the SEC’s findings, agreed to resolve the matter for a civil monetary penalty of \$1.5 million.

BlackRock, Inc. and its various subsidiaries, including BTC, also have been subject to certain business litigation that has arisen in the normal course of their business. Our litigation has included a variety of claims, some of which are investment-related. None of BlackRock’s prior litigation has had, and none of its pending litigation currently is expected to have, an adverse impact on BlackRock’s ability to manage client accounts.

In past years, BlackRock has acquired organizations that provide investment-related services, including, but not limited to, State Street Research & Management Company, Merrill Lynch Investment Managers, the fund of funds business of Quellos Group, LLC, and Barclays Global Investors. This response does not address any regulatory or litigation that arose out of conduct within the acquired organizations prior to their acquisition by BlackRock. It also does not address any regulatory or litigation unrelated to BlackRock or BTC’s investment management responsibilities.

4. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA*?  
 Yes /  No: Please explain.

Yes. As a fiduciary investor and acting in the best long-term economic interest of our clients, we see voting at a company annual general meeting and special meetings as one of our responsibilities.

Voting is an essential part of our efforts to protect and enhance shareholder value. It is the most broad-based form of engagement we have with companies, and provides a channel for feedback to the board and management about investor perceptions of their performance and governance practices. BlackRock votes annually at more than 17,000 shareholder meetings. We take a case-by-case approach to the business put to a shareholder vote. Our analysis is informed by our internally-developed proxy voting guidelines, our company engagements and the situation at a particular company.

We intend to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. We generally prefer to engage in the first instance where we have concerns, and give management time to address or resolve the issue. We will vote in favor of proposals where we support the approach taken by a company's management or where we have engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where we believe the board or management may not have adequately acted to protect and advance the interests of long-term investors. We will abstain on proposals where we wish to indicate to the company we are concerned about its approach to certain issues and expect them to be responsive to investors' views. In all situations the economic interests of our clients will be paramount.

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/about-us/investment-stewardship/voting-guidelines-reports-position-papers#guidelines>. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda for the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We take vote decisions to achieve the outcome that we believe best protects our clients' long-term economic interests. We review our voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

All our regional voting guidelines are reviewed annually by regional teams and approved by regional oversight committees made up of senior manager leaders. The guidelines are amended as necessary in light of market trends, evolving governance practices, insights from engagements, and public policy developments.

In amending our guidelines, we conduct a regular review of research and developments in academic literature, and we engage with clients, fundamental analysts, and other market participants regarding best practice and key issues of concern to shareholders. We also conduct periodic benchmarking to peers.

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/en-zz/about-us/investment-stewardship/voting-guidelines-reports-position-papers>. Our voting guidelines are intended to help companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda for the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We take vote decisions to achieve the outcome that we believe best protects our clients' long-term economic interests. BlackRock reviews our voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

5. Has the firm's insurance coverage been sustained?

Yes /  No: Please explain.

BlackRock maintains the following types of global insurance coverage:

Type
Investment Advisers Professional Liability (aka Errors & Omissions Liability)
Fidelity Bond (aka Crime or Financial Institution Bond)

Although we do not disclose the insurer information and level of coverage, BlackRock only places insurance with insurers rated "Excellent" by AM Best and maintains coverage at levels that are commercially reasonable and consistent with industry peers.

### Investment Management Fees

1. Is *SamCERA*'s investment management fee schedule less favorable than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. /  No

### Derivative Investments

1. Are derivatives used in the management of the investment strategy?

Yes: Please ANSWER the remaining questions in this section.

No: Please SKIP the remaining questions in this section.

We typically use exchange traded equity index futures in our strategies for the purposes of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.



Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes /  No: Please explain.

N/A

3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?

Yes /  No

If Yes:

a) Do the counter-parties have investment grade debt?  Yes/  No

b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  Yes/  No: Please explain.

N/A

4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?

Yes /  No

If Yes:

a) Do the counter-parties have investment grade debt?  Yes/  No

b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?

Yes/  No: Please explain.

N/A

5. Is individual counter-party exposure well diversified?  Yes/  No: Please explain.

a) What is the largest exposure to a single counter-party within the portfolio?

b) Please specify the name of the counter-party and the amount of exposure.

c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

### Managing Counterparty Credit Risk

BlackRock's philosophy is to manage counterparty credit risk conservatively. As such, the firm actively monitors counterparty credit risk exposures globally and evaluates counterparty credit quality on a continuous basis. We believe that our policies and procedures for counterparty risk management are robust and thorough.

In 2005, BlackRock established the Counterparty & Concentration Risk Group, a dedicated team of professionals that leads the global process for managing counterparty risk. The Group is responsible for managing credit risk in all trading relationships with counterparties and to that end coordinates with Credit Research, Investment Strategies, Trading & Liquidity Strategies, Legal & Compliance, Operations, and data integrity functions across the organization. The Group monitors and assesses counterparty exposures arising from both bilateral and centrally-cleared products that include derivatives, mortgage TBAs, foreign exchange, financing trades (repo and securities lending), equities, fixed income securities and other forward-settling transactions. Reporting is generated to show aggregate risk exposures by counterparty and by portfolio.

The Counterparty & Concentration Risk Group developed the firm-wide Counterparty Credit Policies and Procedures, and is responsible for implementing, updating and enforcing them, as follows:

- Assess prospective trading counterparty creditworthiness and approve counterparties;
- Measure and monitor credit exposure to each counterparty, broken out by asset classes;
- Monitor financial performance of counterparties in order to establish, confirm, or adjust exposures as needed;
- Monitor levels of exposure by product, by tenor, and by counterparty, and provide feedback to Trading & Liquidity Strategies when aggregate exposures warrant; and
- Provide guidance and supervision of credit issues for ISDA and other transaction documentation.

The firm has Credit Alert Procedures which serve as a guideline for the action and interaction of key BlackRock constituencies in the case of a counterparty related "credit event." These procedures specifically contemplate the coordination among the Counterparty & Concentration Risk, Investment Strategies, Trading & Liquidity Strategies, Legal, and Operations groups in order to facilitate BlackRock's ability to make timely and informed decisions following the recognition of credit concerns. The major aspects addressed include fact finding, communication, liquidation and close-out, and key roles and responsibilities.

#### **BlackRock's Counterparty Approval Process**

BlackRock focuses primarily on counterparty credit risk and counterparty reputation risk. Counterparty credit risk is the potential loss that BlackRock clients' accounts or BlackRock accounts could incur if a counterparty is unable to perform on its trading commitments. Reputation risk is defined as the risk to earnings or capital arising from negative public opinion. The process by which we select broker/dealer counterparties for transaction purposes is outlined below.

*Determine the nature of the proposed transaction activity:*

What are the securities to be traded? What is the expected volume by security?

*Determine the settlement and delivery procedure:*

How is our client going to receive monetary compensation in exchange for delivering the particular security in question? If the client is going to receive securities, how is the counterparty going to deliver those securities? Is settlement through an established clearing platform or is there also a physical settlement? From a delivery risk perspective, we view DTC and Fed settlement along with settlement through several other established trading and clearing platforms to be of limited risk. We view settlement via other methodologies as bearing potentially significant risk, and generally limit such activity to investment grade counterparty groupings. OTC derivatives are transacted with major global financial institutions.

*Determine if the proposed counterparty settles transactions "directly" or uses a correspondent:*

Most "agency" counterparties utilize correspondents to clear securities for them. If they do so, who are they using? On what basis are they clearing, fully disclosed or otherwise? BlackRock will only accept clearing correspondents that are well-capitalized, well-established, and possess a favorable reputation in the marketplace.

*Settlement risk tolerance levels:*

BlackRock has established certain tolerance levels for aggregate exposure to settlement risk, defined as a credit balance on all trades outstanding but not settled. The level reflects our settlement risk tolerance per counterparty and is monitored by BlackRock's Counterparty & Concentration Risk Group on a daily basis. If the threshold is exceeded, the trade details are reviewed in concert with the counterparty's financial strength in order to determine if any intervention is required.

*Financial review:*

Our view is that the level and trend of excess regulatory capital, as shown in the financial information, is a key barometer of the financial strength of our trading counterparty. Most brokerage firms are required to calculate and report this figure to regulatory authorities on a periodic basis. We are directly interested in ensuring that the process is maintained.

As previously stated, non-investment grade counterparties are required to clear through well-established clearing correspondents and are generally limited to short settlement trades. Updated regulatory financial filings are reviewed on an ongoing basis. Major financial institutions are additionally monitored as part of BlackRock's internal credit research process and via alert portfolios with market data service providers.

### **Counterparty Exposure Monitoring**

BlackRock prefers to have multiple counterparties for liquidity, risk management, and best execution purposes. The counterparties with which we trade must have broad market coverage. Positions are marked-to-market on a regular basis and exposure to each counterparty is monitored. Transaction documentation is implemented where appropriate to minimize exposure to individual counterparties.

To monitor post-trade counterparty risk, BlackRock has implemented a strong technological infrastructure and proprietary internal review processes. BlackRock also has a number of reporting tools on the Aladdin platform that allow us to manage counterparty exposure, balancing net exposures to our different counterparties. Where necessary, credit risk exposure to counterparties can be adjusted, both at the individual portfolio level and at the aggregate firm-wide level.

### **Country Risk**

Members of the Counterparty & Concentration Risk Group are active participants in BlackRock's Global Country Operating Risk Committee. The Committee includes participants from Legal & Compliance, Business Operations, Fund Services, Product Tax, and Risk & Quantitative Analysis, along with representation from each of the Investment groups.

This Committee meets regularly to consider, inter alia, the legal status, ownership and official recognition of exchanges and clearing houses, trading and settlement practices and procedures and BlackRock's ability to track trades from execution to settlement in the various trading markets. For markets where direct local access to exchanges is deemed to present inappropriately high risks for client portfolios, a range of restrictions may be applied.

6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivative positions.

BlackRock's Global Valuation methodologies Committee provides oversight of the valuation of investments for the Funds and certain Accounts. Assets of funds and Accounts are valued in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820-10, Fair Value Measurements and Disclosures. ASC 820-10 establishes a fair valuation hierarchy to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three broad levels: Level I, Level II, Level III. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). See additional details about valuation procedures and external pricing agents/sources in "16 Things You Should Know" attached.

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

As stated above, we typically use equity index futures in our strategies for the purpose of efficient portfolio management. Futures are not used for speculative or leveraged positions in the portfolio and we keep cash to fully cover all outstanding futures positions.

Exchange traded futures are employed to equitize dividend accruals as well as to manage day-to-day cash flows generated from clients trades, dividends, interest received and other activity associated with securities in the portfolio. Specifically, futures contracts are purchased to provide immediate market exposure proportionate to cash accruals and investable cash within the portfolio. While we seek to remain fully invested, a small amount of spendable cash is retained to minimize trading and transactions costs. Skillful cash management and cash equitization are critical to minimizing the potential impact of cash drag and ensure tight tracking to the benchmark.

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  Yes: Please explain. /  No

### International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities:

<i>Foreign Ordinary Shares</i>	<i>98.86%</i>
<i>ADR's</i>	<i>0.17%</i>
<i>Cash &amp; Equivalent (Foreign)</i>	<i>0.00%</i>
<i>Cash &amp; Equivalent (Domestic)</i>	<i>0.97%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap</i>	<i>78.21%</i>
<i>Mid-Cap</i>	<i>21.79%</i>
<i>Small-Cap</i>	<i>0.00%</i>

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  Yes /  No: Please explain.

The importance of risk control at BlackRock is one of our greatest competitive advantages. All of BlackRock's index strategies utilize risk control at every stage of the investment process, from the creation of expected return forecasts through the portfolio construction and trade execution processes. We pursue the risk control objective by minimizing all investment (and operational) risks that are not associated with producing reliable returns. Aladdin, our proprietary investment and risk analytics platform, incorporates client cash flows, securities positions, futures and currency positions, pending corporate actions, and risk tools. It also receives daily index data direct from benchmark providers. Aladdin allows portfolio engineers to efficiently manage portfolios with a high degree of risk control, providing a seamless platform whereby every step of the investment process is handled electronically from the time a client order is placed to the time any required trades go out to market.

The portfolio engineers review exception-based reports for compliance with internal and client guidelines on a daily basis. We use an automated screen, whereby portfolio engineers' final trade lists are cross-checked against a database containing portfolio guidelines and client restrictions on separate accounts prior to being released to the trading room. Duties are segregated and supervision is appropriate to each type of activity. Through these efforts, BlackRock ensures that the portfolio remains risk-controlled, fully invested and positioned at all times to achieve optimal performance.

In addition, all Index portfolios are monitored monthly by an Investment Review Committee ("IRC"). This committee formally reviews portfolio performance and its attribution. The IRC is an internal committee composed of senior management, portfolio engineers, performance analysts and risk specialists, who meet monthly to discuss investment policy and other operational issues that relate to the management of our portfolios. The IRC is responsible for reviewing all BlackRock portfolios to ensure that they are operating according to their portfolio mandates. All portfolio exceptions are reported to the IRC.

A team of RQA professionals has specialized knowledge of index equity strategies and works side-by-side with portfolio engineers to ensure that all portfolio risks are well-understood and appropriately managed. RQA works with portfolio engineers on both day-to-day activities and special projects designed to improve our models and practices.


4. Does the portfolio invest in emerging and/or frontier markets?  Yes /  No

a) If Yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets.

Signed by:

Dated:

Name of Firm

  
2/12/18  
BlackRock

***Mondrian Investment Partners International Value – June 30, 2018***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018.**

**General Compliance Issues**

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?  
 **Yes** /  **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?  
 **Yes: Please explain.** /  **No**

**In March 2018, John Barrett, Mondrian's Chief Compliance Officer, retired after 16 years with Mondrian. His deputy Ed Lambert, who has 12 years of experience in investment management compliance, replaced John.**

**Nigel May, Deputy Chief Executive Officer, retired in first quarter of 2018. Nigel has made a significant contribution to the firm over the last twenty five years. His responsibilities were transitioned to several individuals with whom he has worked closely.**

3. Have there been any changes in the firm's investment approach?  
 **Yes: Please explain.** /  **No**
4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios?  
 **Yes: Please explain.** /  **No**
5. Have there have been any industry or regulatory disciplinary actions taken against the firm?  
 **Yes: Please explain.** /  **No**
6. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?  
 **Yes** /  **No: Please explain.**
7. Have there been any investment guideline breaches during the prior 6 months?  
 **Yes: Please explain.** /  **No**

8. Has the firm's insurance coverage been sustained?

Yes /  No: Please explain.

### Investment Management Fees

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. /  No

### Derivative Investments

1. Are derivatives used in the management of the investment strategy?

Yes: Please ANSWER the remaining questions in this section.

No: Please SKIP the remaining questions in this section.

2. Are derivative investments in compliance with *SamCERA's* investment policies?

Yes /  No: Please explain.

3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes /  No: Please explain.

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?

Yes /  No

If Yes:

a) Do the counter-parties have investment grade debt?  Yes/  No

b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  Yes/  No: Please explain.

5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?

Yes /  No

If Yes:

a) Do the counter-parties have investment grade debt?  Yes/  No

b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?

Yes/  No: Please explain.

6. Is individual counter-party exposure well diversified?  Yes/  No: Please explain.

a) What is the largest exposure to a single counter-party within the portfolio?

b) Please specify the name of the counter-party and the amount of exposure.



- c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies?  **Yes** /  **No: Please explain.**
- a) Has the firm developed any new purposes for derivative investments?  **Yes: Please explain.** /  **No**
8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.
- a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.  **Yes** /  **No: Please explain.**
- b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
9. State if any restricted derivative investments are held in *SamCERA's* portfolios.  
 **Yes** /  **No**
- a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.
10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors?  **Yes** /  **No: Please explain.**
11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement?  **Yes** /  **No: Please explain.**
12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.
13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  **Yes: Please explain.** /  **No**

### **Investment Manager Guidelines**

1. Are portfolio holdings well-diversified, and made in liquid securities?  
 **Yes** /  **No: Please explain.**

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?  Yes: Please explain. /  No

### Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments?  Yes /  No
- a) If Yes, do the investments comply with the policies?  Yes /  No: Please explain.

### International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities.

<i>Foreign Ordinary Shares</i>	<i>73.69%</i>
<i>ADR's</i>	<i>0%</i>
<i>MIP Limited Partnership</i>	<i>24.68%</i>
<i>Cash &amp; Equivalents (Foreign)</i>	<i>0.99%</i>
<i>Cash &amp; Equivalents (Domestic)</i>	<i>0.64%</i>

2. Specify the large, mid and small capitalization exposure of the portfolios.

<i>Large-Cap &gt; 11bn</i>	<i>78.75%</i>
<i>Mid-Cap 3.5bn-11bn</i>	<i>17.40%</i>
<i>Small-Cap &lt; 3.5bn</i>	<i>1.49%</i>

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  Yes /  No: Please explain
4. Does the portfolio invest in emerging and/or frontier markets?  Yes /  No
- a) If Yes, please specify the percentage(s) of the portfolio invested in emerging and/or frontier markets

*The portfolio gains exposure to emerging markets through the Mondrian Emerging Markets Equity Fund L.P. As at 30<sup>th</sup> June the portfolio held 24.68% in this fund.*

5. Does the portfolio currently employ a currency hedging strategy?  Yes /  No
6. What proportion of total AUM do the assets in this product make-up of the firm? **8.8%**
- What size does SamCERA's account comprise of total product assets? **3.8%**

**Signed by:**   
**Dated:** 11 July 2018  
**Name of Firm:** Mondrian Investment Partners Limited

## ***BlackRock Intermediate Government Bond Index –June 30, 2018***

### ***Compliance Certification Statement***

***San Mateo County  
Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018.**

#### **General Compliance Issues**

- 1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?**

Yes: Please explain. /  No

There have been no significant changes to the organizational structure in the past year ending 30 June 2018, however Ralph Smith, head of Research Innovation has left the firm to pursue other opportunities. Johnny Kang, has replaced him in this role. There have been no changes to the portfolio management team.

To continue to grow and be a leader in our industry, BlackRock constantly looks for ways to better serve clients, increase efficiency in our organization and develop talent. Periodically we take a fresh look at the firm to determine how we should evolve our organization in anticipation of changing market dynamics and client needs. This evolution is part of a continual effort to position the firm so that we can maximize our fullest potential for BlackRock and our clients.

In March 2018, we capitalized on our competitive advantages in portfolio construction by building, investing in, and scaling a portfolio construction and asset allocation ecosystem across three primary areas of excellence: investments, research, and client delivery. We reorganized our OCIO business to unify our multi-asset portfolio construction experts under a new investment pillar, Client Portfolio Solutions ("CPS"). CPS was previously organized under our client business. To support these investment teams with premier research we reorganized our professionals focused on Portfolio Research within our BlackRock Investment Institute ("BII").

#### **Global Executive Committee Changes**

In 2010, BlackRock created the Global Executive Committee to provide oversight of operations and business performance, strategy and planning, talent development and retention, risk management, and external affairs. The following chart shows turnover within the GEC:

In June 2018, Edwin Conway was appointed to the GEC in his role as the Global Head of Institutional Client Business.

Please refer to the link below for biographies of the firm's current GEC members.

<http://www.blackrock.com/corporate/en-us/about-us/leadership>

**2. Have there been any changes in the firm's investment approach?**

Yes: Please explain. /  No

BlackRock has followed the same investment philosophy of Total Performance Management for index strategies since 1971.

**3. Have there have been any industry or regulatory disciplinary actions taken against the firm?  Yes: Please explain. /  No**

As a global investment manager, BlackRock Inc., and its various subsidiaries including BTC may be subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BTC's regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BTC correct or modify certain of its practices. In all such instances, BTC has addressed, or is working to address, these requests to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

BTC also receives subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators, some of which are ongoing. None of these matters has had or is expected to have any adverse impact on BTC's ability to manage its clients' assets. Please refer to BlackRock's Form ADV and SEC disclosures for additional information on regulatory matters concerning BTC or BlackRock as a whole. The recent fines related to BlackRock Inc. or BTC's investment advisory responsibilities are set forth below. These matters do not include fines paid to non-US regulators relating to the late filing of issuer-specific holdings reports.

On 8 March 2012, BlackRock Institutional Trust Company, N.A. ("BTC") entered into an Offer of Settlement (the "Agreement") with the CFTC and consented to the entry of an Order, which makes findings and imposes remedial sanctions against BTC. Without admitting or denying wrongdoing, BTC agreed to the imposition of a \$250,000 penalty and the entry of the Order to resolve allegations by the CFTC that two trades by BTC violated Section 4c(a)(1) of the Commodity Exchange Act and CFTC Regulation 1.38(a). BTC also agreed to refrain from any further violations of the above-mentioned statutory provisions. The CFTC did not allege that any clients of BTC, BlackRock or any related affiliate were harmed in any way in the execution of these two trades.

On 11 September 2012, the UK Financial Services Authority ("FSA") issued a Final Notice against BlackRock Investment Management (UK) Limited ("BIMUK"), following a settlement agreement reached between the FSA and BIMUK. The FSA found that BIMUK had breached

certain provisions of the FSA's Client Money Rules and Principles, during the period 1 October 2006 to 31 March 2010, by not having trust letters in place for client money placed on money market deposit and not having adequate systems and controls for the identification and protection of client money in this respect. BIMUK agreed to a settlement payment of GBP 9,533,100 for the breach, which it had self-reported to the FSA in April 2010. The FSA final order acknowledged that no client of BIMUK (or BlackRock or any related affiliate) suffered any harm and that BIMUK had remedied the situation and put in place robust systems and controls relating to client money protection.

On 3 October 2012, BlackRock Financial Management Inc. ("BFM") reached an agreement with the U.S. Department of Labor ("DOL") to reimburse clients \$2,661,513 in connection with certain trades the DOL alleged violated Title I of the Employee Retirement Income Security Act ("ERISA"). BFM also agreed to pay to the DOL a \$266,151 penalty.

On 8 January 2014, BlackRock Inc. reached a settlement with the New York Attorney General's office ("AG") pursuant to which the AG found BlackRock's use of analyst surveys violated New York's Martin Act and Executive Law. The settlement did not involve the payment of any fine or other penalty although BlackRock paid \$400,000 to cover the AG's costs of investigation. BlackRock neither admitted nor denied the allegations, but agreed to stop using analyst surveys.

On 8 May 2014, the primary Italian securities regulator ("CONSOB") fined BlackRock Investment Management (UK) Limited ("BIMUK") 150,000 EURO (approximately \$205,826 USD) for negligent market manipulation. The fine was based on BIMUK's filing, on behalf of the BlackRock group of companies, a large shareholder report regarding its holdings in Unicredit S.p.A. to CONSOB in December 2011, that turned out to be incorrect.

On 16 September 2014, BlackRock Institutional Trust Company, N.A. ("BTC") entered into an agreement with the SEC to resolve allegations relating to three alleged violations of an SEC regulation prohibiting short sales of an equity security during the restricted period preceding a public offering. The three trades at issue occurred in 2010 and 2011. As part of the approximately \$1.7 million settlement, BTC agreed to disgorge profits from each of the violations and to pay interest and a civil penalty. BTC also agreed to cease and desist from any future violations of the rule in question.

On 20 April 2015, BlackRock Advisors, LLC ("BAL") reached a settlement with the Securities and Exchange Commission ("SEC") regarding BlackRock's handling of a former portfolio manager's personal investments and involvement in a family business, Rice Energy LP and related entities. As part of the settlement, BAL agreed to pay a \$12 million penalty and retained an independent compliance consultant to review BlackRock's policies and procedures regarding the outside activities of BlackRock's employees. There was neither an allegation by the SEC of any loss to any BlackRock investors, nor did this settlement have any adverse impact on BlackRock's ability to manage its clients' funds.

On 17 January 2017, BlackRock Inc. reached an agreement with the SEC resolving a matter regarding a provision in an old version of BlackRock's form employee separation agreement that the SEC believed violated Dodd Frank's whistleblower provisions. The settlement with

the SEC included a \$340,000 payment and BlackRock agreed it would not include the provision in future agreements. In addition, BlackRock agreed to notify by letter, certain former employees who signed the agreement between October 2011 and March 2016.

On 25 April 2017, BlackRock Fund Advisors (“BFA”) reached an agreement with the SEC resolving a matter regarding whether one BFA-managed ETF (the iShares MSCI Russia Capped ETF) was covered by certain exemptive relief the SEC previously granted BFA and other iShares funds. BFA, which did not admit or deny any of the SEC’s findings, agreed to resolve the matter for a civil monetary penalty of \$1.5 million.

BlackRock, Inc. and its various subsidiaries, including BTC, also have been subject to certain business litigation that has arisen in the normal course of their business. Our litigation has included a variety of claims, some of which are investment-related. None of BlackRock's prior litigation has had, and none of its pending litigation currently is expected to have, an adverse impact on BlackRock’s ability to manage client accounts.

In past years, BlackRock has acquired organizations that provide investment-related services, including, but not limited to, State Street Research & Management Company, Merrill Lynch Investment Managers, the fund of funds business of Quellos Group, LLC, and Barclays Global Investors. This response does not address any regulatory or litigation that arose out of conduct within the acquired organizations prior to their acquisition by BlackRock. It also does not address any regulatory or litigation unrelated to BlackRock or BTC’s investment management responsibilities.

4. Has the firm’s insurance coverage been sustained?  
 Yes /  No: Please explain.

BlackRock maintains the following types of global insurance coverage:

Type
Investment Advisers Professional Liability (aka Errors & Omissions Liability)
Fidelity Bond (aka Crime or Financial Institution Bond)

Although we do not disclose the insurer information and level of coverage, BlackRock only places insurance with insurers rated “Excellent” by AM Best and maintains coverage at levels that are commercially reasonable and consistent with industry peers.

### Investment Management Fees

1. Is *SamCERA*’s investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?  
 Yes: Please explain. /  No

### Derivative Investments

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**
  
2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes /**  **No: Please explain.**
  
3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 **Yes /**  **No**
  
- If Yes:**
  - a) Do the counter-parties have investment grade debt?  **Yes/**  **No**
  - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  **Yes/**  **No: Please explain.**
  
4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 **Yes /**  **No**
  
- If Yes:**
  - a) Do the counter-parties have investment grade debt?  **Yes/**  **No**
  - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes/**  **No: Please explain.**
  
5. Is individual counter-party exposure well diversified?  **Yes/**  **No: Please explain.**
  - a) What is the largest exposure to a single counter-party within the portfolio?
  - b) Please specify the name of the counter-party and the amount of exposure.
  - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?
  
6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchange traded derivative positions.
  
7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
  
8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  **Yes: Please explain. /**  **No**

### **Investment Manager Guidelines**



- Are portfolio holdings well-diversified, and made in liquid securities?  
 Yes /  No: Please explain.
- Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?  Yes: Please explain. /  No

**Domestic Fixed Income Portfolios**

- State the percentage of the portfolio held in each of the following types of securities

<i>Certificates of Deposit</i>	%
<i>Commercial Paper</i>	%
<i>Other high grade short-term securities</i>	%
<i>U.S. Government &amp; Agency securities</i>	100%
<i>Corporate Bonds</i>	%
<i>Mortgage and asset-backed securities</i>	%
<i>Yankee bond securities</i>	%
<i>Other (please specify)</i>	%

- Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  Yes /  No: Please explain
- Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?  Yes /  No
  - If Yes, please specify the bond issue and percentage amount.
- Are any holdings below investment grade?  Yes /  No
  - If Yes, why are they held in the portfolio?

Signed by:   
 Dated: 7/12/18  
 Name of Firm BlackRock

***Brown Brothers Harriman Inflation Indexed Securities – June 30, 2018***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018.**

**General Compliance Issues**

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?  
 **Yes** /  **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?  
 **Yes: Please explain.** /  **No**
3. Have there been any changes in the firm's investment approach?  
 **Yes: Please explain.** /  **No**
4. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios?  
 **Yes: Please explain.** /  **No**
5. Have there have been any industry or regulatory disciplinary actions taken against the firm?  
 **Yes: Please explain.** /  **No**

**From time to time BBH becomes involved in litigation and regulatory matters typical of similar service providers in the industry. BBH currently has no pending litigation or regulatory matters that would materially affect its ability to provide the services requested.**

6. Have there been any investment guideline breaches during the prior 6 months?  
 **Yes: Please explain.** /  **No**
7. Has the firm's insurance coverage been sustained?  
 **Yes** /  **No: Please explain.**

**Investment Management Fees**

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. /  No

## Derivative Investments

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**
2. Are derivative investments in compliance with *SamCERA's* investment policies?  
 **Yes** /  **No: Please explain.**
3. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes** /  **No: Please explain.**

**BBH did not enter into any non-exchange traded derivatives in the past 6 months.**

4. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 **Yes** /  **No**

**Not applicable.**

**If Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes**/  **No**
  - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  **Yes**/  **No: Please explain.**
5. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 **Yes** /  **No**

**Not applicable.**

**If Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes**/  **No**
  - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes**/  **No: Please explain.**
6. Is individual counter-party exposure well diversified?  **Yes**/  **No: Please explain.**  
**Not applicable.**

- a) What is the largest exposure to a single counter-party within the portfolio?  
**Not applicable.**

b) Please specify the name of the counter-party and the amount of exposure.  
**Not applicable.**

c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?  
**Not applicable.**

7. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies?  **Yes** /  **No: Please explain.**

a) Has the firm developed any new purposes for derivative investments?  **Yes: Please explain.** /  **No**

8. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.

**We have not invested in "limited allocation derivative investments" in the SamCERA portfolio.**

a) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.  **Yes** /  **No: Please explain.**  
**Not applicable**

b) State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.  
**Not applicable**

9. State if any restricted derivative investments are held in *SamCERA's* portfolios.  
 **Yes** /  **No**

a) If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.

10. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors?  **Yes** /  **No: Please explain.**

**Not applicable. We have not invested in "limited allocation derivative investments" in the SamCERA portfolio.**

11. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement?  **Yes** /  **No: Please explain.**

12. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.

**We have not invested in “limited allocation derivative investments” in the SamCERA portfolio.**

13. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

**BBH uses two derivative instruments in its Inflation Indexed Strategy, U.S. Treasury futures and foreign exchange forward contracts. U.S. Treasury futures are utilized to manage the portfolio duration independently from security selection. Typically, the duration of the portfolio is maintained in a range of +/-0.50 years relative to the benchmark. In the SamCERA portfolio, U.S. Treasury futures are further utilized to maintain the duration of the TIPS portfolio consistent with that of the Barclay's Aggregate Index. Foreign exchange forward contracts are utilized to mitigate the currency risk associated with tactical positions in non-U.S. inflation linked debt.**

**U.S. Treasury futures are among the most liquid investments and because they are exchange traded are not subject to counterparty risk. The foreign exchange market is highly liquid with several trillion dollars of currency traded daily and a wide variety of active market participants worldwide. Within the foreign exchange market, the currencies of the forwards used in the SamCERA portfolio (EUR and GBP versus USD) are among the most actively traded.**

**Hedging activity or use of forward currency contracts may reduce the risk of loss from currency revaluations, but also may reduce or limit the opportunity for gain and involves counter party risk, which is the risk that the contracting party will not fulfill its contractual obligation to deliver the currency contracted for at the agreed upon price. Because typically no money changes hands at the outset of a forward currency contract, the counter party risk is limited to the profit or loss on the contract, it is not the notional value of the contract.**

14. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  **Yes: Please explain.** /  **No**

### **Investment Manager Guidelines**

1. Are portfolio holdings well-diversified, and made in liquid securities?  
 **Yes** /  **No: Please explain.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?  **Yes: Please explain.** /  **No**

### **Cash & Equivalents**

1. Does the firm directly invest in short term fixed income investments?  **Yes** /  **No**

a) If **Yes**, do the investments comply with the policies?  **Yes** /  **No: Please explain.**

### **Domestic Fixed Income Portfolios**

1. State the percentage of the portfolio held in each of the following types of securities

<i>Certificates of Deposit</i>	<i>%</i>
<i>Commercial Paper</i>	<i>%</i>
<i>Other high grade short-term securities</i>	<i>%</i>
<i>U.S. Government &amp; Agency securities</i>	<i>100%</i>
<i>Corporate Bonds</i>	<i>%</i>
<i>Mortgage and asset-backed securities</i>	<i>%</i>
<i>Yankee bond securities</i>	<i>%</i>

2. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio?  **Yes** /  **No: Please explain**

3. Does the firm conduct horizon analysis testing?  **Yes** /  **No: Please explain**

4. Are any holdings below investment grade?  **Yes** /  **No**

a) If **Yes**, why are they held in the portfolio?

5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?  **Yes** /  **No**

a) If **Yes**, please specify the bond issue and percentage amount.

6. What percentage of the portfolio is held in Rule 144A securities?

**0% as of June 30, 2018.**

7. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account.  **Yes** /  **No**

a) If **Yes**, please specify the name of the industry, percentage amount and size relative to benchmark.

8. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

**As of May 31, 2018, BBH U.S. TIPS strategy assets made up 7.3% of BBH total AUM and the SamCERA account was 1.8% of BBH U.S. TIPS strategy assets.**

Signed by: John Ackler, CFA

Dated: June 2018

Name of Firm Brown Brothers Harriman & Co.

**SamCERA I Compliance Certification Questionnaire****Compliance Certification Statement***FIAM U.S. Core Bonds – June 30, 2018***FIAM Broad Market Duration****June 30, 2018**

<b>Firm Name</b>	Fidelity Institutional Asset Management Trust Company (FIAMTC)
<b>Product Name</b>	FIAM Broad Market Duration
<b>Asset Class</b>	Investment Grade Fixed Income
<b>Respondent/Contact</b>	Melissa Boissy, Senior Account Executive
<b>Address</b>	900 Salem Street, Smithfield, RI 02917
<b>Telephone</b>	401-292-7816
<b>Email Address</b>	Melissa.Boissy@fmr.com

*Unless otherwise disclosed to you, in providing this information, Fidelity is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with any investment or transaction described herein. Fiduciaries are solely responsible for exercising independent judgment in evaluating any transaction(s) and are assumed to be capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies. Fidelity has a financial interest in any transaction(s) that fiduciaries, and if applicable, their clients, may enter into involving Fidelity's products or services.*

**General Compliance Issues****1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?** **Yes: Please explain.** /  **No**

Since the last Compliance Certification statement, the following material senior leadership changes have taken place at FIAM and Fidelity:

- In April 2018, Jeff Mitchell was named the CIO for FIAM Equity succeeding Pam Holding.
- In March 2018, Jim Carroll assumed the role of Head of Investment Client Strategy (ICS), replacing Derek Young who left the firm. Jim was previously head of institutional portfolio managers at FIAM.
- In March 2018, Pam Holding and Tim Cohen were named as co-heads of the firm's Equity Division, succeeding Brian Hogan. Pam previously served as chief investment officer for the FIAM Equity group while Tim served as head of Global Equity Research..
- In October 2017, Robin Foley was named co-Chief Investment Officer of Bonds, joining Jamie Pagliocco in the role and succeeding Christine Thompson.
- In July 2017, Judy Marlinski became president of FIAM. Judy reports to Mike Durbin, president of Fidelity Institutional. She succeeded Scott Couto, who left the firm at the end of June.



## SamCERA I Compliance Certification Questionnaire

### 2. Have there been any changes in the firm's investment approach?

Yes: Please explain. /  No

### 3. Have there have been any industry or regulatory disciplinary actions taken against the firm?

Yes: Please explain. /  No

From time to time, in the normal course of its business, the Firm may receive inquiries (including subpoenas and voluntary requests for information) from regulatory authorities or law enforcement. A regulator may conduct an onsite examination or may commence an investigation.

The Firm does not make public comment about such inquiries, examinations or investigations unless, and until, a regulatory body initiates enforcement proceedings. To the extent the Firm's securities affiliates have been sanctioned, fined, or cited by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), or any other regulatory body, any such sanction, fine or citation has been disclosed in its affiliates' Forms BD and/or Forms ADV in accordance with the requirements of such forms.

### 4. Has the firm's insurance coverage been sustained?

Yes /  No: Please explain.

## Investment Management Fees

### 1. Is SamCERA's investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?

Yes: Please explain. /  No

## Derivative Investments

### 1. Are derivatives used in the management of the investment strategy?

Yes: Please ANSWER the remaining questions in this section.

No: Please SKIP the remaining questions in this section.

### 2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?

Yes /  No: Please explain.

### 3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?

Yes /  No

If Yes:

a) Do the counter-parties have investment grade debt?  Yes /  No

b) Are the counter-parties registered with the SEC and do they have net capital to protect against the potential adverse market circumstances?  Yes/  No: Please explain.

## SamCERA I Compliance Certification Questionnaire

**4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?**

Yes /  No

If Yes:

a) Do the counter-parties have investment grade debt?  Yes /  No

b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  Yes/  No: Please explain.

**5. Is individual counter-party exposure well diversified?  Yes/  No: Please explain.**

a) What is the largest exposure to a single counter-party within the portfolio?

b) Please specify the name of the counter-party and the amount of exposure.

c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

We consider this information to be proprietary and are therefore unable to disclose.

**6. Specify the security pricing sources used when developing portfolio market value exposures for non-exchanged traded derivative positions.**

Fidelity Pricing & Cash Management Services (FPCMS) utilizes a combination of sources for derivatives pricing. Wall Street brokers are our primary sources for swaps. Bloomberg is our primary pricing source for futures.

**7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.**

All derivative instruments used in the portfolio are liquid. Given the minimum role they play in the portfolio and the extensive research conducted by the Counterparty Risk Team and the large team of in-house and external lawyers that support these efforts, we feel the legal and regulatory risks are minimal.

**8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  Yes: Please explain. /  No**

## Investment Manager Guidelines

**1. Are portfolio holdings well-diversified, and made in liquid securities?**

Yes/  No: Please explain.

**2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?  Yes: Please explain. /  No**

**SamCERA I Compliance Certification Questionnaire****Domestic Fixed Income Portfolios****1. State the percentage of the portfolio held in each of the following types of securities:**

<i>Certificates of Deposit</i>	<i>%</i>
<i>Commercial Paper</i>	<i>%</i>
<i>Other High Grade Short-term securities</i>	<i>0.2%</i>
<i>U.S. Government &amp; Agency securities</i>	<i>46.3%</i>
<i>Corporate Bonds</i>	<i>21.1%</i>
<i>Mortgage- and asset-backed securities</i>	<i>24.8%</i>
<i>Yankee bond securities</i>	<i>4.6%</i>

**2. Does the firm conduct horizon analysis testing?  Yes/  No: Please explain.**

Scenario Analysis is performed at both the security and portfolio level. We perform scenario analysis on a daily basis for most fixed-income securities in our universe. There are 13 interest-rate scenarios consisting of unchanged, shift, and twist yield curve movements. We also allow for interactive analysis, incorporating spread changes into the estimated scenarios. We also test for technical market variables such as reduced liquidity. The diversification of our portfolios is designed for different parts of the portfolio to respond in varying, complementary fashions to different economic and interest rate outcomes.

**3. Are any holdings below investment grade?  Yes /  No****a) If Yes, why are they held in the portfolio?**

As of June 30, 2018, 1.2% of holdings in the portfolio were below investment grade. Purchased as investment grade, these holdings have been downgraded due to increased leverage or other fundamental credit criteria. We still feel they hold relative value, although we are monitoring these securities closely.

**4. NO Q****5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?  Yes /  No****a) If Yes, please specify the bond issue and percentage amount.****6. What percentage of the portfolio is held in Rule 144A securities?**

2.39%

**7. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account.  Yes /  No****a) If Yes, please specify the name of the industry, percentage amount and size relative to benchmark.**

## SamCERA I Compliance Certification Questionnaire

**8. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?**

As of June 30, 2018, the SamCERA Broad Market Duration pool account represents <1% of the assets in the Broad Market Duration strategy and less than 1% of total FIAM assets.

DocuSigned by:

*Jeff Goretti*

BFF527A7670B467...

**Signed by:** Jeff Goretti

**Dated:** 7/12/2018

**Name of Firm:** FIAMTC

***PIMCO Diversified Income Fund – June 30, 2018***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018**.

**General Compliance Issues**

*The Fund you are invested in is an investment company registered under the Investment Company Act of 1940 ("1940 Act"), which prohibits selective disclosure of information to some investors and not to others. Therefore, we cannot respond directly to your inquiry.*

*For additional information please reference the attached compliance letter, Fund Prospectus and Statement of Additional Information.*

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?

**Yes: Please explain.** /  **No**

*During the six months ending June 30, 2018, there have been no material changes to the firm's ownership or organizational structure. Please refer below for announcements regarding strategic enhancements and hiring:*

*In July 2018, PIMCO appointed Sapna Shah as Head of Corporate Responsibility. Ms. Shah, an Executive Vice President, previously served as PIMCO's Inclusion, Diversity and Culture Officer, and has been with the firm since 2007. In this newly created role, Ms. Shah will drive the development and implementation of PIMCO's corporate responsibility platform "Purpose at PIMCO". The platform consists of three main pillars to support meaningful social change – PIMCO Gives (grant making), PIMCO Acts (volunteerism) and PIMCO Advocates (corporate policies, partnerships and thought leadership). Through the platform, she will lead a range of initiatives that support PIMCO's corporate and social goals, including the firm's focus on gender equality and hunger as well as corporate ESG policies and IDC efforts.*

*In July 2018, PIMCO expanded the firm's presence in the U.S. by opening a third office in Austin, Texas. This office enables PIMCO to expand its reach to clients, access new pools of talent and skills and build out technological innovation and implementation across the firm globally. PIMCO is initially building up the office's staffing level to around 200 employees by the end of 2019, with the majority of these being new hires. Alongside a significant*

*technology presence, other functions including U.S. Global Wealth Management, Institutional Client Management and Marketing will be present in the new office.*

*In May 2018, PIMCO announced a strategic partnership with Beacon Platform Incorporated, a financial technology company specializing in the development of cloud-based, end-to-end development and production platforms. The platform will be deployed globally and aid in delivering quantitative research and analytics to support the firm's 240+ portfolio managers around the world. The partnership is part of a broader strategic effort to further integrate technology and quantitative research into PIMCO's investment process.*

*In May 2018, Keami Lewis joined PIMCO as an Executive Vice President and Head of Talent and Organizational Development (T&OD). Keami drives the design and execution of PIMCO's firm-wide talent management initiatives to support the continued development and engagement of PIMCO employees around the world. PIMCO is committed to employing and recruiting top talent from a diverse range of industries, geographies and backgrounds that bring new ideas and fresh thinking to our firm. Our people are our most valuable asset and Keami's broad range of talent management skills are instrumental in providing our employees with the necessary tools they need to develop in their careers while providing the best ideas and solutions to our clients.*

*In April 2018, Gavin Power joined PIMCO as an Executive Vice President and Chief, International Affairs and Sustainable Development, as part of the firm's efforts to grow its Environmental, Social and Governance (ESG) platform for investors seeking attractive returns in socially responsible investments. Gavin is part of PIMCO's Executive Office, reporting to Libby Cantrill, Managing Director and Head of Public Policy. Gavin works closely with PIMCO's ESG investment team and broader investment professionals on international policy development and strategy.*

*In March of 2018, PIMCO hired Joshua Bolten to its Global Advisory Board. Joshua, a former White House Chief of Staff, has previously served as a consultant to PIMCO. His talents, expertise and invaluable insights into U.S. public policy will enhance PIMCO's group of unrivaled macroeconomic thinkers and former policy makers, which includes former Federal Reserve Chairman Ben Bernanke.*

2. Have there been any changes in the firm's investment approach?  
 **Yes: Please explain.** /  **No**

*Please refer to the attached Fund Prospectus and/or Statement of Additional Information.*

3. Have there have been any industry or regulatory disciplinary actions taken against the firm?  
 **Yes: Please explain.** /  **No**

*Please reference the attached compliance letter.*

4. Has the firm's insurance coverage been sustained?  
 **Yes** /  **No: Please explain.**

*Please reference the attached compliance letter.*

### **Investment Management Fees**

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?  
 **Yes: Please explain.** /  **No**

*Please refer to the attached Fund Prospectus and/or Statement of Additional Information.*

### **Derivative Investments**

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**

*Please refer to the attached Fund Prospectus and/or Statement of Additional Information.*

2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes** /  **No: Please explain.**

*Please refer to the attached Diversified Income Fund Annual Report*

3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 **Yes** /  **No**

**If Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes**/  **No**  
b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  **Yes**/  **No: Please explain.**

*Please refer to the attached Diversified Income Fund Annual Report*

4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 **Yes** /  **No**

**If Yes:**

- a) Do the counter-parties have investment grade debt?  **Yes**/  **No**  
b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes**/  **No: Please explain.**

*Please refer to the attached Diversified Income Fund Annual Report*

5. Is individual counter-party exposure well diversified?  **Yes**/  **No: Please explain.**
- a) What is the largest exposure to a single counter-party within the portfolio?
  - b) Please specify the name of the counter-party and the amount of exposure.
  - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

*Please refer to the attached Diversified Income Fund Annual Report*

6. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.

*Please refer to the attached PIMCO Pricing Policy*

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

*Please refer to the attached PIMCO's Use of Derivatives*

8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  **Yes: Please explain.** /  **No**

### **Investment Manager Guidelines**

1. Are portfolio holdings well-diversified, and made in liquid securities?  **Yes** /  **No: Please explain.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?  **Yes: Please explain.** /  **No**

*The Fund is permitted to engage in short sales as allowed by the Fund's Prospectus and Statement of Additional Information, which are attached for reference.*

### **Domestic Fixed Income Portfolios**

1. State the percentage of the portfolio held in each of the following types of securities

<i>Treasury</i>	<i>%</i>
<i>Agency</i>	<i>%</i>
<i>Inflation-Linked</i>	<i>%</i>
<i>Mortgage-Backed</i>	<i>%</i>
<i>Asset-Backed</i>	<i>%</i>



<i>Investment-Grade Credit</i>	%
<i>High-Yield Credit</i>	%
<i>Bank Loan</i>	%
<i>Non-US</i>	%
<i>EM Government</i>	%
<i>EM Local Currency</i>	%
<i>EM Corporate</i>	%
<i>Cash &amp; Equivalents</i>	%
<i>Total</i>	%

*Please refer to the attached Bond Statistics Report*

2. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?  Yes /  No

*Please refer to the attached Holdings Report as of 3/31/2018*

a) If Yes, please specify the bond issue and percentage amount.

3. What percentage of the portfolio is held in Rule 144A securities?

*Please reference the attached compliance letter.*

4. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account.  Yes /  No

*Please refer to the attached Holdings Report as of 3/31/2018*

a) If Yes, please specify the name of the industry, percentage amount and size relative to benchmark.

5. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?



*As of 3/31/2018, the Fund represented 0.17% of the Firm's AUM.*

*As of 6/30/2018, SamCERA's account represented 2.64% of Fund assets.*

Signed by:

Dated:

Name of Firm

  
 7/12/18  


***Western Asset Management Total Return Unconstrained – June 30, 2018***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018**.

**General Compliance Issues**

1. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?

**Yes: Please explain.** /  **No**

As noted in January, the following personnel changes were announced:

- Mr. Carl L. Eichstaedt, Portfolio Manager and member of the Firm's Broad Market investment team, has announced his plans to retire in March 2019 after 23 years of service at Western Asset. Mr. Eichstaedt will continue to play a role in the management of the portfolios and will work to transition his responsibilities to the broader Broad Market portfolio management team during the transition period.
- After serving as Chief Risk Officer (CRO) since October 2008, Mr. Kenneth Winston plans to retire effective December 31, 2018. Western Asset is pleased to announce the appointment of Mr. Ahmet Kocagil as Mr. Winston's successor. Mr. Kocagil joined the Firm in January 2017 as a member of the risk team focusing specifically on credit risk and has been working closely with the broader risk, investment and client service professionals to continue to enhance risk tools and insights. Over the next year, Mr. Winston and Mr. Kocagil will work closely together to ensure a smooth transition and continued enhancement of the Firm's best-in-class risk team and processes, quantitative solutions and proprietary risk system (WISER). Mr. Kocagil will assume full CRO responsibilities by June of 2018.

2. Have there been any changes in the firm's investment approach?

**Yes: Please explain.** /  **No**

3. Have there have been any industry or regulatory disciplinary actions taken against the firm?

**Yes: Please explain.** /  **No**

4. Has the firm's insurance coverage been sustained?

**Yes** /  **No: Please explain.**

## Investment Management Fees

1. Is *SamCERA*'s investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?  
 **Yes: Please explain.** /  **No**

## Derivative Investments

1. Are derivatives used in the management of the investment strategy?  
 **Yes: Please ANSWER the remaining questions in this section.**  
 **No: Please SKIP the remaining questions in this section.**
2. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?  
 **Yes** /  **No: Please explain.**
3. For non-exchange traded derivative transactions, were the counter-parties broker/dealers?  
 **Yes** /  **No**

### If Yes:

- a) Do the counter-parties have investment grade debt?  **Yes** /  **No**
  - b) Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?  **Yes** /  **No: Please explain.**
4. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?  
 **Yes** /  **No**

### If Yes:

- a) Do the counter-parties have investment grade debt?  **Yes** /  **No**
  - b) Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?  
 **Yes** /  **No: Please explain.**
5. Is individual counter-party exposure well diversified?  **Yes** /  **No: Please explain.**
    - a) What is the largest exposure to a single counter-party within the portfolio?
    - b) Please specify the name of the counter-party and the amount of exposure.
    - c) Have there been any changes to the investment manager's list of approved counter-parties over the past six months?

No material changes within derivative counterparties.

6. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.

The pricing sources used for derivatives will vary depending on the derivative instrument and clearing method. For example, for exchange traded instruments such as futures, Bloomberg is used to receive the settlement price from the exchange the derivative contract is traded on. For OTC derivatives which are cleared, Western Asset will receive the valuations from the exchange the derivative is cleared. For non-cleared OTC derivatives, Western Asset's primary pricing vendor is Markit. The Firm will consider secondary sources such as Bloomberg swap models, mark-to-market counter party statements or internal model methodology if Markit does not cover an OTC derivative instrument. Western Asset has a formal pricing policy, which outlines the pricing process in greater detail and is provided in Appendix A.

7. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Western Asset's management style focuses on adding incremental value without taking on excessive risk. To ensure that the Firm's use of derivative instruments is consistent with this investment philosophy, Western Asset has developed the following guidelines—listed below along with a brief description of their rationale—which form the basis of every decision to employ derivatives in the Firm's investment portfolios:

- The duration contribution of derivatives will not bring the portfolio's duration outside the portfolio's specific duration band.
- Where a portfolio enters into forward foreign exchange contracts the aggregate underlying exposure of the portfolio attained through such contracts shall not exceed 100% of the portfolio's market value.
- A portfolio's gross exposure to forward foreign exchange contracts shall not exceed 50% with any single counterparty and net exposure shall not exceed 25% with any single counterparty. Net exposure is defined as the value (in account base currency terms) of open forward foreign exchange purchase contracts less forward foreign exchange sale contracts. Gross exposure is defined as the value (in account base currency terms) of open forward foreign exchange purchase contracts plus forward foreign exchange sale contracts.
- The net notional exposure to index and credit default swaps will count at their full notional value as exposure to the underlying asset. Concentration limits for a particular name or asset class will apply based on the net sum of its cash and derivative security holdings.
- Short (written) options positions will always be covered, either with current security holdings, other options or futures positions. Mortgage derivatives with significant short option characteristics will not exceed 5% of the portfolio, and will generally be a) offset by positions in other mortgage derivatives (e.g., floaters and inverse floaters), or b) offset by other portfolio positions (e.g., IOs and long duration bonds).
- Futures and options contracts will be limited to liquid instruments actively traded on major exchanges or, if over-the-counter, executed with major dealers.
- Swap contracts are considered over-the-counter contracts between two parties and have counterparty credit risk different from exchange traded derivatives. Western Asset tries to limit its counterparty risk by executing swaps with the strongest financial counterparties. The vast majority of these counterparties are rated is A- or better. In addition, collateral agreements will be in place to trigger margin movement whenever the current mark-to-market amount to be paid or received by either counterparty exceeds a threshold amount.

- Finally, under no circumstances will the derivative positions change the characteristics of the portfolio so that it violates any guideline set forth in the Investment Management Agreement.
8. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.  **Yes: Please explain.** /  **No**

### Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities?  
 **Yes** /  **No: Please explain.**
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?  **Yes: Please explain.** /  **No**

### Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities

<i>Treasury</i>	<i>8.31%</i>
<i>Agency</i>	<i>0.01%</i>
<i>Inflation-Linked</i>	<i>0.84%</i>
<i>Mortgage-Backed</i>	<i>16.74%</i>
<i>Asset-Backed</i>	<i>4.76%</i>
<i>Investment-Grade Credit</i>	<i>13.47%</i>
<i>High-Yield Credit</i>	<i>8.08%</i>
<i>Bank Loan</i>	<i>5.41%</i>
<i>Non-US</i>	<i>10.91%</i>
<i>EM Government</i>	<i>3.98%</i>
<i>EM Local Currency</i>	<i>10.38%</i>
<i>EM Corporate</i>	<i>5.84%</i>
<i>Cash &amp; Equivalents</i>	<i>11.27%</i>
<i>Total</i>	<i>100.00%</i>

2. Does the firm conduct horizon analysis testing?  **Yes** /  **No: Please explain.**

Western Asset's investment management team estimates horizon excess returns under various market scenarios, including best, worst and likely cases. Particular attention is paid to diversifying strategies under each scenario. The horizon for risk management is the same as that for investment management, as the risk effort is closely integrated into the investment process. The firm's tracking error model calculates predicted tracking errors based on 18 months of historical data. Western Asset also generates scenario analysis results daily for representative accounts. These results estimate horizon durations given various interest rate shocks. The horizon is generally instantaneous as Western Asset evaluates one day extreme movements in rates for duration hedging purposes. The Firm's systems allow for any time horizon and can output a wide array of horizon performance or analytics related statistics.

3. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio?  Yes /  No

a) If **Yes**, please specify the bond issue and percentage amount.

4. What percentage of the portfolio is held in Rule 144A securities?

22.62%

5. At the time of purchase, was there any single industry which represented more than 15% of the market value of the account.  Yes /  No

a) If **Yes**, please specify the name of the industry, percentage amount and size relative to benchmark.

6. What proportion of total AUM do the assets in this product make-up of the firm? What size does SamCERA's account comprise of total product assets?

As of December 31, 2017, Western Asset's Total Return Unconstrained (TRU) Bond product makes up 1.18% of Firmwide AUM, and SamCERA's account comprises 2.58% of total TRU Bond product assets.

Signed by: James Raffini

Dated: July 12, 2018

Name of Firm: Western Asset Management Company, LLC

## ***INVESCO Core Real Estate – June 30, 2018***

### ***Compliance Certification Statement***

#### ***San Mateo County***

#### ***Employees' Retirement Association***

In accordance with SamCERA's Investment Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018**.

### **General Compliance Issues**

1. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm?  
 **Yes** /  **No: Please explain.**
2. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?  
 **Yes: Please explain.** /  **No**
3. Have there been any changes in the firm's investment approach?  
 **Yes: Please explain.** /  **No**
4. Have there have been any industry or regulatory disciplinary actions taken against the firm?  
 **Yes: Please explain.** /  **No - We note that this response solely pertains to Invesco Core Real Estate – U.S.A., L.P. and those managing such entity.**
5. Has the firm's insurance coverage been sustained?  
 **Yes** /  **No: Please explain.**

### **Investment Management Fees**

1. Is *SamCERA's* investment management fee schedule higher than those charged other institutional clients who hold an account investment substantially similar to ours?  
 **Yes: Please explain.** /  **No**

### **Investment Manager Guidelines**


1. Are portfolio holdings well-diversified?  **Yes** /  **No: Please explain.**
2. Has the firm used leverage?  **Yes: Please explain.** /  **No The maximum leverage for the Fund is 35%. As of March 31, 2018, the Fund's leverage was 24.5%.**

## Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments?  Yes /  No
  - a) If **Yes**, do the investments comply with the policies?  Yes /  No: **Please explain.**

## Real Estate Portfolios

1. Is the portfolio diversified as to region, property type, industry, and economic base?  
 Yes /  No
  - a) If **No**, do the investments comply with the policies?
2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index?  Yes /  No: **Please explain.** – **As of March 31, 2018 the Fund's since inception net return of 7.53% exceeds the net return of the NFI ODCE index of 6.86%.**
3. Does the core fund concentration exceed 40% (by value) in any single property type or 35% in any single metropolitan statistical area, determined as of the date of the acquisition of the property?  Yes: **Please explain.** /  No
4. Is the portfolio leverage within the 35% of overall loan to value guideline?  
 Yes /  No: **Please explain.**
5. What proportion of total AUM do the assets in this product make-up of the firm? – **19.65% (as of March 31, 2018)**. What size does SamCERA's account comprise of total product assets? – **2.76% (as of March 31, 2018)**



Signed by: William C Grubbs Jr, Vice President

Dated: July 11, 2018

Name of Firm: Invesco Realty, Inc. parent of Invesco Core REal Estate - U.S.A., L.P.'s general partner



***Verus Advisory, Inc.– June 30, 2018***

***Compliance Certification Statement***

***San Mateo County***

***Employees' Retirement Association***

Please complete the following compliance certification statement and e-mail to *SamCERA* ([Investments@samcera.org](mailto:Investments@samcera.org)) by **Thursday, July 12, 2018**.

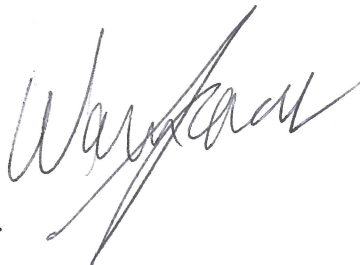
**General Compliance Issues**

1. Have there been any significant changes in firm ownership, organizational structure and firm leadership team personnel?  
 **Yes: Please explain.** /  **No**
2. Have there been any changes to the general consulting, private markets consulting & research, public markets research, or risk advisory personnel?  
 **Yes: Please explain.** /  **No**
3. Have there have been any industry or regulatory non-routine investigations, examinations, complaints, disciplinary actions or other proceeding against the firm or any investment professionals employed by the firm?  **Yes: Please explain.** /  **No**
4. Has the firm maintained its status as a Registered Investment Advisory under the Investment Advisors Act of 1940?  
 **Yes** /  **No: Please explain.**
5. Has the firm's insurance coverage been sustained?  
 **Yes** /  **No: Please explain.**

**Fees**

1. Is *SamCERA*'s fee structure less favorable than other clients with the same level of service and access to investment opportunities?  
 **Yes: Please explain.** /  **No**

Signed by: Warren Spencer, CCO  
Dated: July 2, 2018  
Name of Firm : Verus Advisory, Inc.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

April 24, 2018

Agenda Item 4.11

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Code of Conduct and Record Retention Policy

**Recommendation**

Reaffirm the Board of Retirement's Code of Conduct and Approve a resolution amending the Records Retention Policy.

**Background**

The Board has 19 policies which it has adopted at various times to govern the Board in its activities and to guide staff's administration of the system. Staff brings these policies to the Board for periodic reaffirmation or amendment on an as needed basis. The two policies before the Board today are: The Code of Conduct and the Record Retention Policy.

**Discussion**

Code of Conduct: The Board has a fiduciary obligation to the retirement fund to conserve assets and protect the integrity of the fund for the benefit of the members and beneficiaries of SamCERA. Additionally, Board members must comply with several areas of the Government Code including the Brown Act, the Public Records Act, the Political Reform Act, the regulations of the California Fair Political Practices Commission (FPPC) and SamCERA's "Conflict of Interest Code." The values behind these laws can be summarized as: trustworthiness, responsibility, and loyalty. The Board's current Code of Conduct identifies and proscribes behavior that promotes these ethical principles. Staff recommends that it be reaffirmed by the Board.

Records Retention Policy:

The '37 Act provides that: "The board may establish efficient records management procedures, which may include, but need not be limited to, maintenance and, when determined by the board to be necessary, disposal of records in its jurisdiction." (Government Code § 31537.) SamCERA is not required to maintain unofficial records. In regard to recordings of Board meetings, the Brown Act provides that there is no requirement to record a meeting but if a recording is made, it cannot be erased or destroyed until at least 30 days after the date of the meeting. Our current practice has been to destroy the recording after the minutes have been approved by the Board and ensure that 30 days have elapsed.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

The proposed amendment to the Records Retention Policy would clarify and memorialize this existing process, and would read:

**“SamCERA is not required to maintain unofficial records. Once the minutes of meetings of the Board of Retirement or any Standing Committee of the Board have been approved, and if at least 30 days have elapsed from the meeting date, recordings of such meetings, if any, are deemed to be unofficial records. If Staff determines that portions of the recording constitute an administrative record to be retained for an administrative procedure or other legal process, such portion of the recording will remain an official record....”**

**Attachments**

- A. Code of Conduct
- B. Resolution Amending Records Retention Policy (with proposed amended policy attached)



**Address:** 100 Marine Parkway | Suite 125  
Redwood City, CA 94065  
**Phone:** (650) 599-1234  
**Toll-Free:** (800) 339-0761  
**Fax:** (650) 591-1488  
**PONY:** RET 141  
**Web:** [www.samcera.org](http://www.samcera.org)  
**Email:** [samcera@samcera.org](mailto:samcera@samcera.org)

## **BOARD OF RETIREMENT**

### **CODE OF CONDUCT**

The Board of Retirement is the governing body of SamCERA and has exclusive control and fiduciary responsibility for management of the benefits and investments of the retirement fund for the members and beneficiaries of SamCERA. As public officials and as fiduciaries, Board members are expected to be careful stewards of taxpayer and member resources.

The Board is governed by the California Constitution, the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, and the regulations, procedures and policies adopted by the Board. In addition, Board members must comply with laws applicable to public agencies (such as the Brown Act pertaining to open meetings and the Public Records Act), and laws applicable to public officials (such as disclosure of economic interests and avoidance of conflict of interests) as set forth in the Government Code and the regulations of the California Fair Political Practices Commission (FPPC).

Board members are also subject to SamCERA's "Conflict of Interest Code" and must sign an "Acknowledgment of Financial Conflict of Interest Laws" and an "Acknowledgment of Confidential Records and Information."

The general rationale behind these laws and policies reflect the ethical principles of public service which can be summarized as: Trustworthiness, Responsibility, and Loyalty.

In furtherance of these obligations and beliefs, the Board hereby adopts the following Code of Conduct for its members:

As a member of the Board, you must:

1. Discharge your duties solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries.
2. Act in good faith and in the best interest of members, beneficiaries and the fund as a whole.
3. Act with skill, care and diligence.
4. Carry out your duties in a manner consistent with your fiduciary duties.
5. Carry out your duties consistent with the laws and regulations regarding conflict of interest, gifts, financial disclosures, ethics and prohibited practices and avoid appearances of impropriety.

6. Refrain from using your position, and avoid the appearance that you are using your position, on the Board for private gain or the advantage of another.
7. Understand what information is to be kept confidential, and maintain that confidentiality.
8. Refrain from using confidential information acquired by virtue of SamCERA activities for private gain or advantage of another, including but not limited to, insider trading.
9. Seek or gather specialized advice or knowledge through education and training to assist you in making prudent decisions.
10. Become familiar with Board regulations, policies and procedures and consistently follow them to carry out the Board's responsibilities.
11. Communicate in a respectful, straightforward, honest and constructive manner during all meetings of the Board and its committees.
12. Make a good faith effort to prepare for, attend and participate in all meetings of the Board and of committees on which you serve.
13. Treat all participants and beneficiaries fairly, objectively, and impartially.
14. Strive to carry out the business of the Board and committee meetings in the most efficient and effective manner possible.
15. Refrain from having any *ex parte* communication with any SamCERA member regarding the determination of a member's benefit until the Board's decision has become final and the time to file a Court challenge has run.
16. Refrain from communicating with any investment management firm, or other vendor, regarding any product or search during the period beginning when the selection process is commenced (request for services is released or search process commenced) and ending when the selection process is deemed completed by the Board.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**RESOLUTION 2018-\_\_**

*RESOLUTION APPROVING AMENDMENT TO BOARD OF RETIREMENT'S  
RECORDS RETENTION POLICY*

**WHEREAS**, pursuant to Government Code § 31537, "The board may establish efficient records management procedures, which may include, but need not be limited to, maintenance and, when determined by the board to be necessary, disposal of records in its jurisdiction" and;

**WHEREAS**, the Board has a Records Retention Policy for SamCERA's records, and desires to clarify that as SamCERA uses the County's email system and its staff are all County employees, staff are subject to the County's policies regarding the use of the email system and the retention of emails, accordingly, the Board's policy does not apply to the retention of emails sent or received through the County's system; and

**WHEREAS**, due to SamCERA's limitation of original records storage capacity and intention to improve the searching, retrieval and security of records and information, SamCERA paper records are converted to electronic records and thereafter the paper records are destroyed; and

**WHEREAS**, recordings of Board meetings are destroyed after the minutes have been approved by the Board but in no event less than 30 days after the meeting in compliance with state law and are retained longer if they are needed for administrative procedure or other legal process.

**WHEREAS**, the attached amendment reflects that the Board's policy does not apply to the retention of emails sent or received through the County's system and the current practice for retaining recordings of Board meetings; and

**WHEREAS**, the Board has reviewed the amendment to the "Board of Retirement Records Retention Policy" and desires to adopt such policy;

**THEREFORE, BE IT RESOLVED**, that the Board hereby adopts the attached amended "Board of Retirement Records Retention Policy."

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on July 24, 2018.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

---

*Board Secretary  
SamCERA*

## San Mateo County Employees Retirement Association

### BOARD OF RETIREMENT RECORDS RETENTION POLICY

#### I. Purpose.

Information recorded in any form, paper or electronic, can be considered a record. SamCERA maintains those official records that document SamCERA's business matters, **except for emails that are sent or received through the County of San Mateo's email system. Such emails are subject to the County's email retention policy and not this policy.** The purposes of this policy are to: (1) ensure that SamCERA maintains official records that are essential to its operation; (2) reduce recordkeeping costs; (3) improve the efficiency of recordkeeping; and (4) ensure legal compliance with state, federal and other regulatory record keeping requirements.

#### II. Maintenance of Official Records.

SamCERA will create and maintain trustworthy official records in order to preserve the rights of members and beneficiaries, promote quality decision-making and efficient business practices. A record is trustworthy when it has:

- Reliability- a full and accurate representation of the activities or facts to which they attest, and can be depended upon in the course of other transactions or activities.
- Integrity- protected against unauthorized addition, deletion, and alteration.
- Usability- able to be located, retrieved, presented and read

#### III. Unofficial Records.

SamCERA is not required to maintain unofficial records. **Once the minutes of meetings of the Board of Retirement or any Standing Committee of the Board have been approved, recordings of such meetings, if any, are deemed to be unofficial records, and if at least 30 days have elapsed from the meeting date, recordings of such meetings, if any, are deemed to be unofficial records. If staff determines that portions of the recording may need to be retained longer for an administrative procedure or other legal process, such portion of the recording will remain an official record during such period.** Unofficial records consist of works in progress, copies of notes and records that have not been either finalized or approved. Records that do not yet reflect the official position of SamCERA and/or remain subject to change before completion are also considered unofficial. Publications and materials not produced by SamCERA, not produced at SamCERA's request or not required to be received by SamCERA are not official records. However, such a record may be official if it adds to a complete understanding of SamCERA actions, operations and responsibilities.

#### II. Process for Maintaining Official Records.

A. Conversion of Paper Documents. All official member records that are currently stored at the SamCERA office and any additional official records designated by the Chief Executive Officer that are currently in paper format shall be converted into electronic documents. There shall be: (1) documentation of each step of the conversion process to ensure adequate proof of the chain of custody and (2) electronic storage so that the scanned documents cannot be added to, deleted, or otherwise changed. The paper documents will be kept for a period of time post conversion that the Chief Executive Officer determines is appropriate.

B. Conversion of Paper Documents On Going Basis. All official records that are created or received in a paper format should be converted into an electronic format in such a manner that allows for the record to be trustworthy, efficiently stored and retrievable. There shall be: (1) documentation of each step of the conversion process to ensure adequate proof of the chain of custody and (2) electronic storage so that the scanned documents cannot be added to, deleted, or otherwise changed. After the conversion, the paper document will be destroyed unless there are specific circumstances that it be kept, such as, but not limited to, a litigation hold or document preservation order.

C. Electronic Documents. All official records that are converted, created or received electronically shall be maintained and stored electronically in such a manner that allows for the record to be trustworthy, efficiently stored and retrievable.

D. Destruction of Electronic Documents. All documents that either originated electronically or are converted into an electronic form will be electronically stored “indefinitely” until such time that the Board directs staff otherwise. Staff will monitor the electronic storage capacity on an ongoing basis. If it is determined that there should be destruction of any electronic records, staff will present a destruction schedule for the Board’s approval.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

July 24, 2018

Agenda Item 4.12

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Conflict of Interest Code

**Recommendation**

Reaffirm SamCERA's Conflict of Interest Code.

**Background**

The Political Reform Act prohibits a public official from using his or her official position to influence a governmental decision in which he or she has a financial interest. Every public agency must adopt a Conflict of Interest (COI) code that identifies all officials and employees within the agency who make governmental decisions based on the positions they hold. The individuals in the designated positions must disclose on a Statement of Economic Interests (Form 700) their financial interests as specified.

**Discussion**

SamCERA is required to review its COI code at least every other year to determine whether, since the last code was approved, there has been any:

- Substantial changes to the agency's organizational structure
- Positions been eliminated or re-named
- Positions been added
- Substantial changes in duties or responsibilities for any positions

If there are any such changes, staff would bring an amended COI code reflecting the changes to the Board for it approval. At this time, there are no organizational changes in SamCERA staffing thus no changes to the COI are needed.

**Attachment**

Conflict of Interest Code

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
CONFLICT OF INTEREST CODE**

The Fair Political Practices Commission (FPPC) has adopted a regulation (2 Cal. Code of Regs. 18730), which contains the terms of a standard conflict of interest code, which may be amended from time to time. The terms of 2 Cal. Code of Regs. 18730, and any amendments to it duly adopted by the FPPC, are hereby incorporated into this Conflict of Interest Code.

Each person holding any position listed below must file FPPC Form 700--Statement of Economic Interests disclosing the kinds of financial interest shown for the designated employee's position. Statements must be filed at the times and on the forms prescribed by law. Failure to file statements on time may result in penalties including but not limited to late fines. Each person holding a position who must file a Statements of Economic Interest in accordance with Government Code section 87200 *et seq* and California Code of Regulations shall file in accordance with those statutes, with the proviso that the original statements will be filed with *SamCERA* and with a copy to County Clerk. The County Clerk does not need to forward the Statement of Economic Interest to the Fair Political Practices Commission.

**LIST OF DESIGNATED POSITIONS AND APPLICABLE DISCLOSURE CATEGORIES**

**Government Code section 87200 filers:** the following positions which manage public investments for purposes Government Code section 87200, shall, *in addition* to the disclosures required by Government Code section 87200 *et seq.* and California Code of Regulations, disclose:

	Disclosure Category
Trustees and Alternate Trustees	1, 2, 3
Chief Executive Officer	1, 2, 3
Chief Investment Officer	1, 2, 3

**Government Code section 87100 filers:** Designated SamCERA employee positions and employees of consultants, who shall file in accordance with Government Code section 87100:

	Disclosure Category
Assistant Executive Officer	1, 2, 3
Chief Legal Counsel	1, 2, 3
Chief Technology Officer	2
Benefits Manager	2
Finance Officer	2
Investment Consultants	4
Other Consultants	*

\* "*Investment Consultants*" are those investment managers and investment consultants who have been determined by the Chief Executive Officer to perform the same or substantially the same functions as SamCERA's Chief Investment Officer, which includes, but is not limited to directing or approving investment transactions, formulating or approving investment policies, and establishing guidelines for asset allocation. "*Other Consultants*" are those contractors who have been determined by the Chief Executive Officer to perform the functions of a SamCERA employee who pursuant to California Code of regulations section 18700 (a)(2) are required to file statements of economic interests. The Chief Executive Officer shall further determine the applicable disclosure categories.

## DESCRIPTION OF FINANCIAL DISCLOSURE CATEGORIES

**Category 1:** Persons in this category shall disclose all interest in real property within the boundaries of the County of San Mateo or within two miles outside the boundaries of the County of San Mateo and property located within two miles of any land owned or used by *SamCERA*. Persons are not required to disclose property, such as a home or vacation cabin, used exclusively as a personal residence.

**Category 2:** Persons in this category shall disclose all business positions, investments in, or income (including gifts and loans) received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by *SamCERA*.

**Category 3:** Persons in this category shall disclose all business positions and investments in business entities that are the type in which *SamCERA*'s trust funds may be invested (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

**Category 4:** Those investment consultant firms ("consultant") under contract with *SamCERA* that have been determined by the Chief Executive Officer to have a requirement to file. Such consultant shall designate those employees who have influence over the investment decisions pertaining to *SamCERA*'s portfolio. Employees designated by the consultant will disclose all investments in business entities that are the type in which *SamCERA*'s portfolio may be invested by that consultant (including securities, real estate and business entities) which may foreseeably be materially affected by their decision making on behalf of *SamCERA*, all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

ADOPTED by unanimous vote, February 23, 1999

AMENDED by unanimous vote, February 22, 2000

AMENDED by unanimous vote, February 27, 2001

AMENDED by unanimous vote, February 26, 2002

AMENDED by unanimous vote, March 25, 2003

AMENDED by unanimous vote, February 22, 2005

AMENDED by unanimous vote, January 24, 2006

AMENDED by unanimous vote, February 26, 2008

AMENDED by unanimous vote, July 28, 2009

AMENDED by unanimous vote, March, 2010

AMENDED by unanimous vote, September 2011

AMENDED BY unanimous vote, March 2012

ATT: GOVERNMENT CODE SECTION 87314 APPENDIX

## **Government Code Section 87314 Appendix**

### Agency Positions that Manage Public Investments For purposes of Section 87200 of the Government Code

The following positions manage Public Investments for purposes of Section 87200 of the Government Code:

Trustees and Alternate Trustees

Chief Executive Officer

Chief Investment Officer

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

July 24, 2018

Agenda Item 4.13

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Amendment to the Agreement with Vitech Systems Group, Inc.

**Recommendation**

Approve a resolution authorizing the Chief Executive Officer to execute an Eighth Amendment to the agreement with Vitech Systems Group, Inc. ("Vitech") up to \$12,000,000 for all services through December 31, 2021.

**Background**

On May 1, 2014, SamCERA entered an agreement with Vitech for the new Pension Administration Software System ("PASS") system. The agreement provides for the hosting, and all post implementation support maintenance of the system, including third party software and hardware through 2021. The agreement is currently capped at \$9,846,778.

**Discussion**

As discussed during the approval of the IT budget of \$2.1 million for Fiscal Year 2018-19, there will be some increased costs in relation to the PASS system. The post implementation services provided by Vitech are invoiced at an hourly time and materials rate. Under the contract, SamCERA receives 750 service hours a year at a flat annual rate of \$126,000. For projects over the 750 limit an hourly rate of \$210 an hour (plus an annual COLA) is charged. Based on last year's usage, we estimate using about 300 service hours a month. The proposed amendment would allow us to prepay for the first 2,500 hours at a rate of \$193 an hour to be used by 2020. We anticipate these hours will be used, but if they are not used by 2020, the price of the remaining hours will be billed at the regular rate.

The proposed amendment also provides for the planned upgrade to Version 10.6. This will be a large undertaking and because the scope of the project needs to be finalized, the resolution authorizes the Chief Executive Officer to sign an amendment reflecting those terms. The increase in the contract amount is covered by expenses that will be paid under the Fiscal Year 2017-18 budget and the Board approved budget for this fiscal year.

**Attachment**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

Resolution Authorizing the Chief Executive Officer to Execute an Eighth Amendment to Agreement with Vitech Systems Group, Inc.

RESOLUTION 2018-\_\_

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE EIGHTH  
AMENDMENT TO AGREEMENT WITH VITECH SYSTEMS GROUP, INC.**

**WHEREAS**, SamCERA, in accordance with California Government Code Section 31588.2, is authorized to expend funds on the administration of the pension system in order to provide timely and accurate benefits to its members; and

**WHEREAS**, on January 28, 2014, this Board authorized the Chief Executive Officer to execute an agreement with Vitech Systems Group, Inc. for the provision of the PASS hardware, software, and implementation and support services; and

**WHEREAS**, this agreement has been amended seven times during the design and build and implementation of the PASS system; and

**WHEREAS**, this Board has determined that it is in the best interests of SamCERA to further amend the Agreement to reflect the additional costs to prepay for Change Order hours at a discounted rate and the estimated costs of the anticipated upgrade to Version 10.6 and; therefore be it

**RESOLVED**, the Chief Executive Officer is authorized to execute an amendment to the agreement with Vitech Systems Group, Inc. which increases the total to an amount not to exceed \$12,000,000 for all services through December 31, 2021. Be it further

**RESOLVED**, that the Chief Executive Officer is hereby authorized and directed to execute subsequent amendments and minor modifications as the Chief Executive Officer deems necessary.

\* \* \* \* \*

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on July 24, 2018.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

---

Board Secretary, SamCERA

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

July 24, 2018

Agenda Item 6.1

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer

*Michael R. Coultrip*

**SUBJECT:** Preliminary Monthly Portfolio Performance Report for the Period Ended June 30, 2018

**Recommendation**

Accept the preliminary performance report dated June 30, 2018.

**Background**

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. As discussed previously, preliminary performance estimates are now included for AQR Risk Parity, AQR Delta, PanAgora Risk Parity, and Beach Point Select. The quarterly performance metrics are not yet available for our private equity, private credit, private real asset, and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by Verus.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns (pages 2-3) and net manager returns (pages 4-9) also shown.

**Discussion**

The fund's net preliminary return for June was -0.5%, bringing the preliminary trailing twelve-month return ending June 2018 to 6.6% net. The preliminary twelve-month net return is below both SamCERA's Plan Benchmark return of 8.3% and SamCERA's Actuarial Assumed Earnings Rate of 6.75%.

June was a positive month for U.S. equity markets, as the broad U.S. equity market (as measured by the Russell 3000 Index) was up 0.7%. International markets were down on the month, with developed international equity (as measured by MSCI EAFE) down 1.2% and emerging markets down 4.2%. Global trade war concerns and depreciating foreign currencies versus the U.S. Dollar weighed on the international equity markets.

Economic activity remained mostly strong during the month, with manufacturing activity and the labor market showing strength, while personal spending and consumer confidence were not as strong as previous periods. Core inflation (CPI) rose 2.2% on an annualized basis.



The general U.S. fixed income market was down -0.1% during the month as the treasury yield curve continued to flatten. In an expected move, the U.S. Federal Reserve raised the fed funds rate by 25 basis points to a target range of 1.75 to 2%, and signaled two more increases for 2018. The 10-year U.S. Treasury yield was slightly higher during the month, with the yield increasing 3 basis points and ending at 2.86% by month-end.

**Attachments**

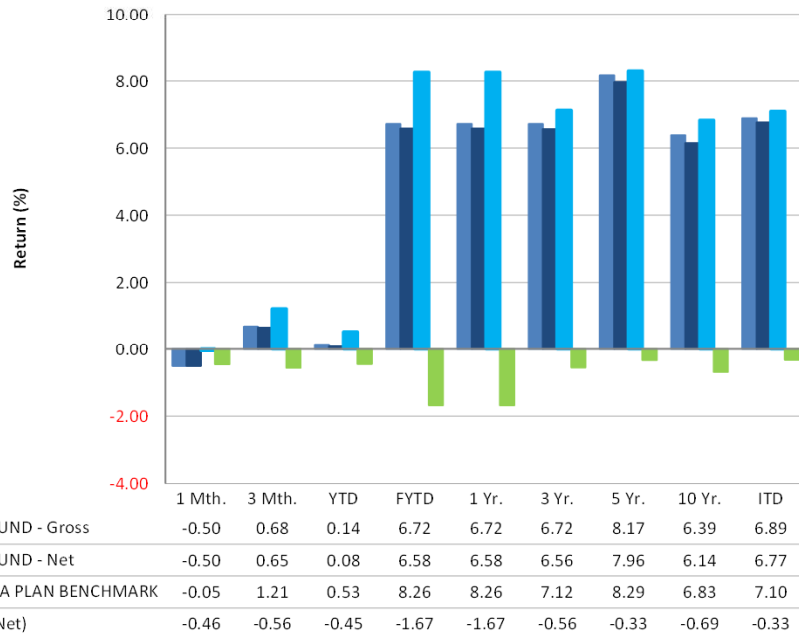
- A. Northern Trust Performance Report
- B. Verus Capital Markets Update

# San Mateo County Total Fund Characteristics

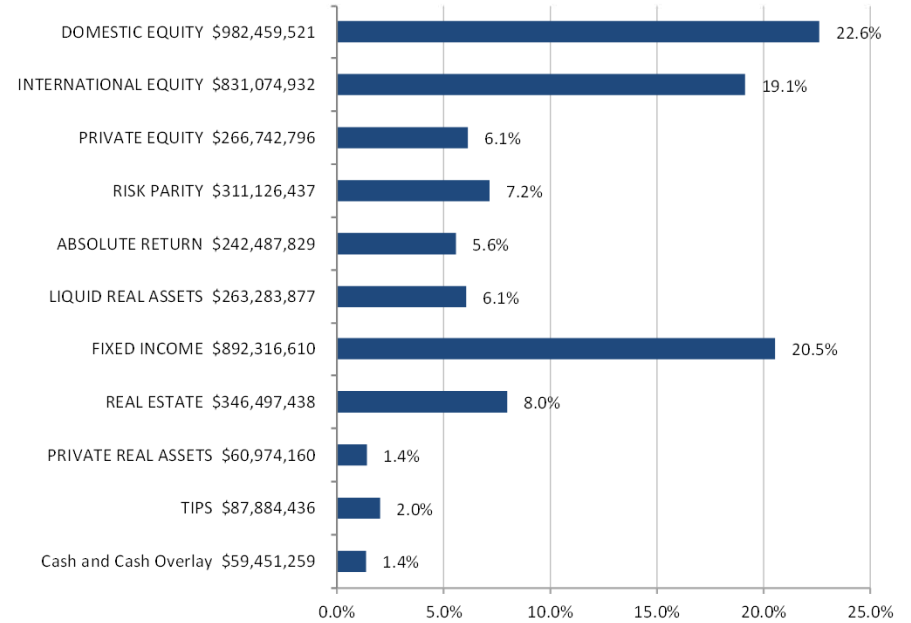


June 30, 2018

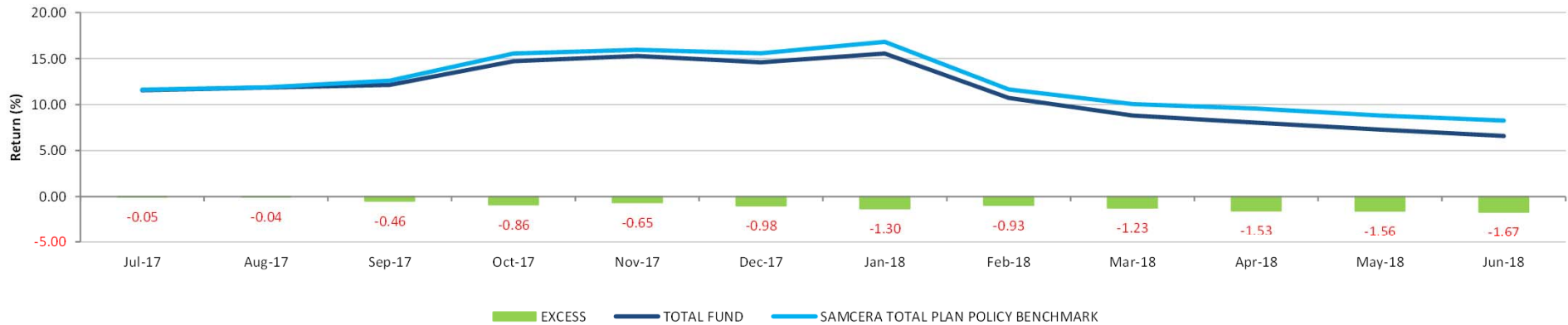
**Total Fund Performance**



**Asset Allocation**



**Rolling Month End Annual Returns**

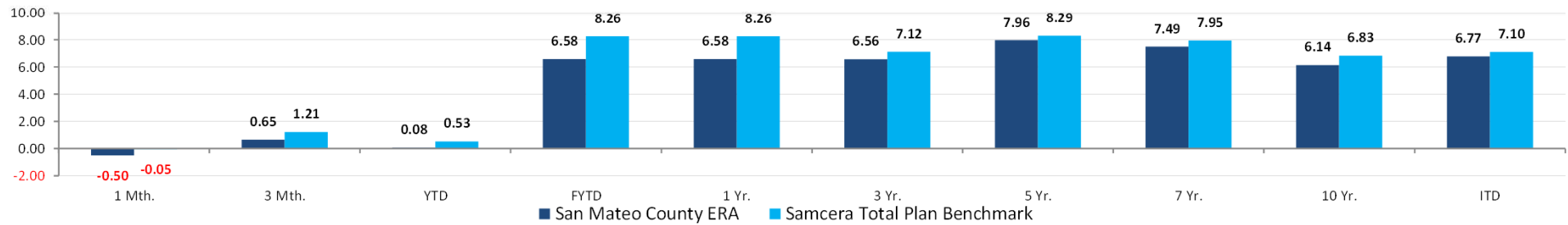


# San Mateo County Composite Return Summary



June 30, 2018

Return Comparison

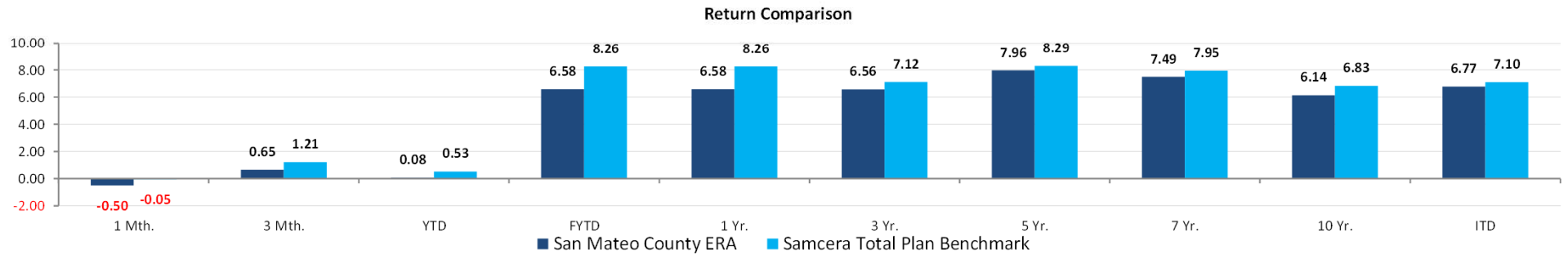


Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
San Mateo County ERA	4,344,299,295	-0.50	0.65	0.08	6.58	6.58	6.56	7.96	7.49	6.14	6.77
Samcera Total Plan Benchmark		-0.05	1.21	0.53	8.26	8.26	7.12	8.29	7.95	6.83	7.10
Excess		-0.46	-0.56	-0.45	-1.67	-1.67	-0.56	-0.33	-0.45	-0.69	-0.33
San Mateo Ex-Clifton Overlay	4,331,831,648	-0.51	0.61	0.06	6.54	6.54	6.48	7.87	7.45	6.07	6.69
Samcera Total Plan Benchmark		-0.05	1.21	0.53	8.26	8.26	7.12	8.29	7.95	6.83	7.10
Excess		-0.47	-0.60	-0.47	-1.71	-1.71	-0.64	-0.42	-0.50	-0.77	-0.40
Total Equity	1,813,534,453	-0.32	0.93	0.27	10.93	10.93	8.98	10.37	9.43	6.96	7.87
Samcera Total Equity Benchmark		0.09	2.45	1.68	13.13	13.13	10.29	11.75	10.52	8.28	8.49
Excess		-0.40	-1.53	-1.40	-2.21	-2.21	-1.30	-1.38	-1.09	-1.32	-0.62
Fixed Income	892,316,610	-0.03	-0.43	-0.68	1.12	1.12	3.61	3.84	4.33	5.37	5.49
Samcera Fixed Income Benchmark		-0.04	-0.09	-1.56	-0.02	-0.02	2.57	2.71	2.83	4.02	4.90
Excess		0.01	-0.33	0.88	1.14	1.14	1.04	1.13	1.50	1.35	0.59
Risk Parity	311,126,437	-1.28	0.35	-1.61	6.64	6.64	5.48	6.60	5.84	--	6.14
Samcera Risk Parity Benchmark		-0.08	0.98	-0.32	6.45	6.45	7.32	8.68	8.75	--	8.51
Excess		-1.21	-0.62	-1.29	0.19	0.19	-1.84	-2.08	-2.91	--	-2.37

# San Mateo County Composite Return Summary



June 30, 2018



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Alternatives	509,230,625	-2.04	-0.95	-1.32	2.51	2.51	4.72	5.81	4.71	-8.45	-2.48
Samcera Alternatives Benchmark		0.71	3.17	3.94	12.26	12.26	8.53	8.84	8.53	7.05	7.81
Excess		-2.75	-4.12	-5.26	-9.75	-9.75	-3.80	-3.03	-3.81	-15.50	-10.29
Inflation Hedge	758,639,911	-0.21	2.28	2.02	6.08	6.08	--	--	--	--	9.16
SamCERA Inflation Hedge Index		0.66	2.37	2.00	8.79	8.79	--	--	--	--	8.28
Excess		-0.86	-0.09	0.02	-2.71	-2.71	--	--	--	--	0.88
Cash	46,983,612	0.07	0.29	0.47	0.91	0.91	0.71	0.63	0.62	0.36	1.95
Samcera Cash Benchmark		0.17	0.45	0.81	1.36	1.36	0.68	0.42	0.33	0.35	1.83
Excess		-0.10	-0.17	-0.34	-0.45	-0.45	0.03	0.21	0.29	0.00	0.12

# San Mateo County Manager Return Summary



June 30, 2018

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Equity	1,813,534,453	-0.32	0.93	0.27	10.93	10.93	8.98	10.37	9.43	6.96	7.87
Samcera Total Equity Benchmark		0.09	2.45	1.68	13.13	13.13	10.29	11.75	10.52	8.28	8.49
Excess		-0.40	-1.53	-1.40	-2.21	-2.21	-1.30	-1.38	-1.09	-1.32	-0.62
Domestic Equity	982,459,521	0.63	3.79	3.38	14.98	14.98	11.39	12.83	12.23	9.46	8.77
Samcera Dom. Equity Benchmark		0.65	3.89	3.22	14.78	14.78	11.28	13.08	12.79	10.26	9.10
Excess		-0.03	-0.10	0.16	0.20	0.20	0.11	-0.25	-0.56	-0.80	-0.33
Large Cap Equity	875,661,469	0.58	3.37	2.99	15.09	15.09	12.19	13.54	12.80	9.59	9.50
Russell 1000		0.65	3.57	2.85	14.54	14.54	11.64	13.37	13.12	10.20	9.78
Excess		-0.07	-0.20	0.14	0.55	0.55	0.55	0.17	-0.31	-0.61	-0.29
Blackrock Russell 1000	718,797,337	0.65	3.58	2.86	14.54	14.54	--	--	--	--	15.72
Russell 1000		0.65	3.57	2.85	14.54	14.54	--	--	--	--	15.56
Excess		-0.00	0.01	0.01	0.00	0.00	--	--	--	--	0.17
DE Shaw Commingled Fund	156,864,132	0.28	2.42	3.61	17.74	17.74	13.55	--	--	--	12.53
Russell 1000		0.65	3.57	2.85	14.54	14.54	11.64	--	--	--	10.43
Excess		-0.37	-1.15	0.76	3.21	3.21	1.91	--	--	--	2.10
Small Cap Equity	106,798,052	0.76	6.82	6.14	14.69	14.69	7.71	9.74	10.06	8.86	6.86
Russell 2000		0.72	7.75	7.66	17.57	17.57	10.96	12.46	11.83	10.60	8.39
Excess		0.04	-0.93	-1.52	-2.88	-2.88	-3.25	-2.72	-1.77	-1.74	-1.53
QMA US Small Cap	106,798,052	0.76	6.82	6.14	14.69	14.69	--	--	--	--	17.45
Russell 2000		0.72	7.75	7.66	17.57	17.57	--	--	--	--	18.02
Excess		0.04	-0.93	-1.52	-2.88	-2.88	--	--	--	--	-0.57
International Equity	831,074,932	-1.42	-2.28	-3.19	6.41	6.41	5.50	6.38	4.28	2.08	5.59
MS AC WIdxUS IMI Nt		-2.00	-2.61	-3.65	7.75	7.75	5.46	6.39	4.08	2.93	5.18
Excess		0.58	0.33	0.46	-1.33	-1.33	0.04	-0.01	0.20	-0.85	0.41

# San Mateo County Manager Return Summary



June 30, 2018

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Developed Markets Equity	742,945,260	-1.16	-1.35	-2.55	6.81	6.81	5.71	6.78	4.75	2.55	4.55
MS AC WldxUS IMI Nt		-2.00	-2.61	-3.65	7.75	7.75	5.46	6.39	4.08	2.93	5.01
Excess		0.84	1.26	1.09	-0.93	-0.93	0.25	0.39	0.67	-0.38	-0.46
Baillie Gifford	255,036,354	-0.36	0.36	-0.40	9.67	9.67	7.81	8.57	--	--	8.88
MSCI ACWI ex US Growth		-1.56	-1.23	-2.02	10.30	10.30	6.95	7.56	--	--	7.25
Excess		1.20	1.59	1.62	-0.63	-0.63	0.86	1.01	--	--	1.63
Blackrock EAFE Index Fund	241,931,578	-1.22	-0.85	-2.44	7.25	7.25	5.28	--	--	--	3.67
MSCI EAFE ND		-1.22	-1.24	-2.75	6.84	6.84	4.90	--	--	--	3.32
Excess		-0.00	0.39	0.31	0.41	0.41	0.38	--	--	--	0.35
Mondrian Investment Partners	245,977,329	-1.92	-3.52	-4.80	3.88	3.88	3.81	5.20	3.93	2.76	5.43
MSCI ACWI ex US Value		-2.12	-3.59	-4.90	5.26	5.26	4.12	5.33	3.32	2.61	5.32
Excess		0.20	0.07	0.10	-1.38	-1.38	-0.31	-0.13	0.61	0.15	0.12
Emerging Markets Equity	88,129,672	-3.55	-9.54	-8.24	3.10	3.10	3.56	2.92	--	--	1.83
MSCI Emerging Markets ND		-4.15	-7.96	-6.66	8.20	8.20	5.60	5.01	--	--	2.92
Excess		0.61	-1.58	-1.58	-5.10	-5.10	-2.04	-2.10	--	--	-1.08
EV Parametric EM	88,129,672	-3.55	-9.54	-8.24	3.10	3.10	--	--	--	--	5.90
MSCI Emerging Markets GD		-4.09	-7.86	-6.51	8.59	8.59	--	--	--	--	8.78
Excess		0.54	-1.68	-1.73	-5.49	-5.49	--	--	--	--	-2.89
Fixed Income	892,316,610	-0.03	-0.43	-0.68	1.12	1.12	3.61	3.84	4.33	5.37	5.49
Samcera Fixed Income Benchmark		-0.04	-0.09	-1.56	-0.02	-0.02	2.57	2.71	2.83	4.02	4.90
Excess		0.01	-0.33	0.88	1.14	1.14	1.04	1.13	1.50	1.35	0.59
Core Fixed Income	603,456,104	-0.13	-0.60	-1.57	-0.08	-0.08	2.65	3.27	3.62	4.69	5.20
BB Barclays U.S. Aggregate		-0.12	-0.16	-1.62	-0.40	-0.40	1.72	2.27	2.57	3.72	4.78
Excess		-0.01	-0.44	0.05	0.32	0.32	0.93	0.99	1.05	0.97	0.42

# San Mateo County Manager Return Summary



June 30, 2018

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
FIAM Core Bond	260,132,045	0.09	-0.01	-1.36	0.17	0.17	2.38	2.89	3.22	4.72	4.46
BB Barclays U.S. Aggregate		-0.12	-0.16	-1.62	-0.40	-0.40	1.72	2.27	2.57	3.72	3.99
Excess		0.21	0.15	0.26	0.56	0.56	0.66	0.62	0.66	1.00	0.47
Western Total Return	128,491,710	-0.79	-2.90	-3.57	-0.10	-0.10	--	--	--	--	3.63
BB Barclays U.S. Aggregate		-0.12	-0.16	-1.62	-0.40	-0.40	--	--	--	--	1.53
Excess		-0.66	-2.75	-1.96	0.30	0.30	--	--	--	--	2.11
Blackrock Inter Gov	214,832,349	0.01	0.11	-0.57	-0.54	-0.54	--	--	--	--	0.37
BB Barclays U.S. Aggregate		-0.12	-0.16	-1.62	-0.40	-0.40	--	--	--	--	1.29
Excess		0.13	0.27	1.05	-0.15	-0.15	--	--	--	--	-0.92
Opportunistic Credit	288,860,506	0.17	-0.05	1.26	4.25	4.25	6.55	6.74	7.93	--	9.30
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	0.39	0.39	4.35	5.01	5.77	--	7.05
Excess		0.05	-0.09	2.71	3.86	3.86	2.20	1.74	2.16	--	2.25
AG Opportunistic Whole Loan	7,639,284	0.00	6.42	19.96	25.10	25.10	13.49	--	--	--	8.96
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	0.39	0.39	4.35	--	--	--	3.92
Excess		-0.12	6.38	21.41	24.71	24.71	9.14	--	--	--	5.05
Angelo Gordon	6,784,047	0.00	9.20	13.30	30.13	30.13	14.81	13.53	--	--	13.15
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	0.39	0.39	4.35	5.01	--	--	4.68
Excess		-0.12	9.16	14.75	29.73	29.73	10.45	8.52	--	--	8.47
Beach Point Select Fund	49,664,355	1.42	1.08	2.68	6.57	6.57	8.08	--	--	--	8.79
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	0.39	0.39	4.35	--	--	--	4.16
Excess		1.30	1.04	4.13	6.18	6.18	3.73	--	--	--	4.63
Brigade Cap Mngmt	77,316,071	0.72	1.27	2.60	4.38	4.38	6.22	5.35	6.30	--	6.93
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	0.39	0.39	4.35	5.01	5.77	--	6.32
Excess		0.61	1.23	4.05	3.99	3.99	1.87	0.34	0.53	--	0.61

# San Mateo County Manager Return Summary



June 30, 2018

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
SAMCERA - White Oak Yield Spec	15,164,129	-0.00	1.23	5.16	4.50	4.50	--	--	--	--	--
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	0.39	0.39	--	--	--	--	--
Excess		-0.12	1.19	6.61	4.10	4.10	--	--	--	--	--
SAMCERA-PIMCO Div. Income Fund	79,776,722	-0.30	-0.73	-1.43	--	--	--	--	--	--	0.34
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	--	--	--	--	--	--	-0.48
Excess		-0.42	-0.77	0.02	--	--	--	--	--	--	0.83
TCP Direct Lending VIII	12,451,139	0.71	-3.70	-2.12	2.55	2.55	--	--	--	--	--
BB Barc BA Intermediate HY Ind		0.12	0.04	-1.45	0.39	0.39	--	--	--	--	--
Excess		0.59	-3.73	-0.67	2.16	2.16	--	--	--	--	--
Franklin Templeton	40,064,759	-1.52	-4.29	-2.37	-2.59	-2.59	1.42	2.09	3.08	--	3.67
BB Barclays Multiverse Index		-0.46	-2.83	-1.58	1.34	1.34	2.78	1.67	1.34	--	1.84
Excess		-1.06	-1.47	-0.80	-3.93	-3.93	-1.36	0.42	1.74	--	1.83
Risk Parity	311,126,437	-1.28	0.35	-1.61	6.64	6.64	5.48	6.60	5.84	--	6.14
Samcera Risk Parity Benchmark		-0.08	0.98	-0.32	6.45	6.45	7.32	8.68	8.75	--	8.51
Excess		-1.21	-0.62	-1.29	0.19	0.19	-1.84	-2.08	-2.91	--	-2.37
AQR Global Risk III	146,542,711	-1.36	0.74	-1.66	7.59	7.59	4.20	5.09	4.77	--	5.11
Samcera Risk Parity Benchmark		-0.08	0.98	-0.32	6.45	6.45	7.32	8.68	8.75	--	8.51
Excess		-1.28	-0.24	-1.34	1.14	1.14	-3.12	-3.59	-3.98	--	-3.40
Panagora	164,583,726	-1.22	0.02	-1.57	5.81	5.81	6.68	--	--	--	6.05
Samcera Risk Parity Benchmark		-0.08	0.98	-0.32	6.45	6.45	7.32	--	--	--	6.79
Excess		-1.14	-0.96	-1.25	-0.64	-0.64	-0.64	--	--	--	-0.73
Alternatives	509,230,625	-2.04	-0.95	-1.32	2.51	2.51	4.72	5.81	4.71	-8.45	-2.48
Samcera Alternatives Benchmark		0.71	3.17	3.94	12.26	12.26	8.53	8.84	8.53	7.05	7.81
Excess		-2.75	-4.12	-5.26	-9.75	-9.75	-3.80	-3.03	-3.81	-15.50	-10.29



# San Mateo County Manager Return Summary



June 30, 2018

Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Private Equity	266,742,796	-0.37	2.64	5.30	8.97	8.97	11.22	14.62	10.47	--	-19.75
Samcera PE Benchmark		0.90	4.65	4.75	18.18	18.18	14.90	16.61	16.33	--	17.11
Excess		-1.27	-2.01	0.56	-9.21	-9.21	-3.68	-1.99	-5.86	--	-36.86
Absolute Return	242,487,829	-3.80	-4.58	-7.60	-3.61	-3.61	2.54	4.13	3.70	--	3.65
Samcera LIBOR + 4%		0.49	1.46	2.85	5.52	5.52	4.84	4.58	4.48	--	4.48
Excess		-4.29	-6.04	-10.46	-9.13	-9.13	-2.31	-0.45	-0.78	--	-0.83
AQR Delta XN	149,334,452	-5.92	-6.02	-9.70	-4.86	-4.86	2.25	3.95	3.57	--	3.53
Samcera LIBOR + 4%		0.49	1.46	2.85	5.52	5.52	4.84	4.58	4.48	--	4.48
Excess		-6.41	-7.48	-12.56	-10.38	-10.38	-2.59	-0.62	-0.91	--	-0.95
SamCERA-Aberdeen Std GARS	93,153,377	-0.19	-2.18	-4.02	-1.89	-1.89	--	--	--	--	-1.02
Samcera LIBOR + 4%		0.49	1.46	2.85	5.52	5.52	--	--	--	--	4.90
Excess		-0.68	-3.64	-6.87	-7.40	-7.40	--	--	--	--	-5.93
Inflation Hedge	758,639,911	-0.21	2.28	2.02	6.08	6.08	--	--	--	--	9.16
SamCERA Inflation Hedge Index		0.66	2.37	2.00	8.79	8.79	--	--	--	--	8.28
Excess		-0.86	-0.09	0.02	-2.71	-2.71	--	--	--	--	0.88
TIPS	87,884,436	0.37	0.74	0.46	2.41	2.41	--	--	--	--	1.94
BBG Barclays US TIPS		0.40	0.77	-0.02	2.11	2.11	--	--	--	--	1.41
Excess		-0.03	-0.03	0.48	0.29	0.29	--	--	--	--	0.52
Brown Brothers Harriman	87,884,436	0.37	0.74	0.46	2.41	2.41	1.84	1.13	1.82	--	2.51
BBG Barclays US TIPS		0.40	0.77	-0.02	2.11	2.11	1.93	1.68	2.09	--	2.79
Excess		-0.03	-0.03	0.48	0.29	0.29	-0.08	-0.55	-0.26	--	-0.28
Real Estate	346,497,438	0.12	2.00	4.08	5.84	5.84	--	--	--	--	8.39
Samcera NCREIF ODCE EW (gross)		2.17	2.17	4.39	8.65	8.65	--	--	--	--	8.45
Excess		-2.05	-0.17	-0.31	-2.81	-2.81	--	--	--	--	-0.06

# San Mateo County Manager Return Summary



June 30, 2018

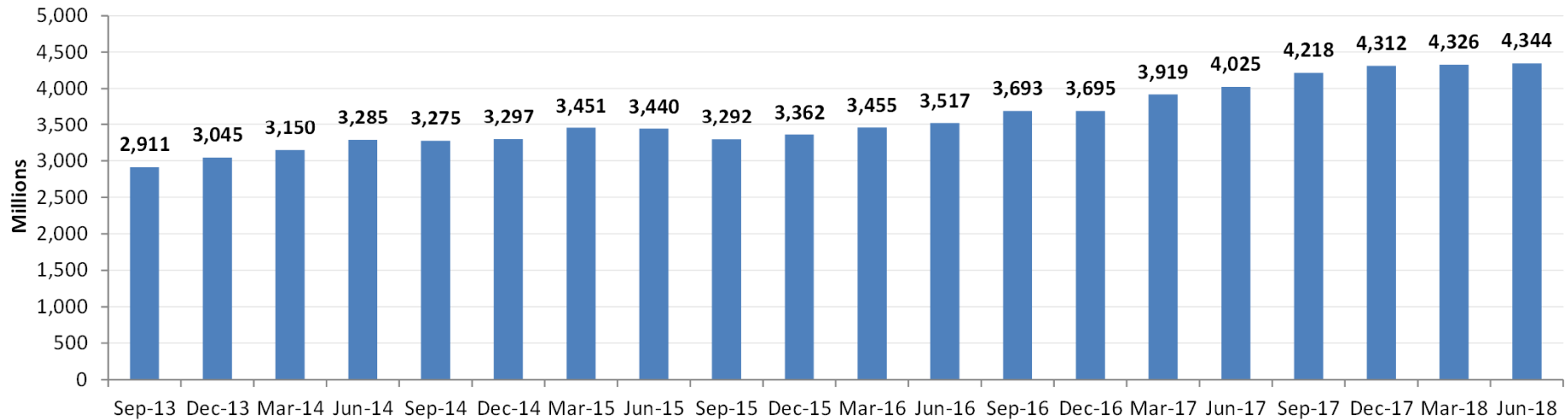
Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Invesco Core Real Estate	257,493,551	0.00	2.38	4.61	6.05	6.05	8.25	10.38	10.50	4.86	7.81
Samcera NCREIF ODCE EW (gross)		2.17	2.17	4.39	8.65	8.65	9.64	11.15	11.44	5.09	7.83
Excess		-2.17	0.21	0.22	-2.60	-2.60	-1.38	-0.77	-0.95	-0.23	-0.02
Invesco US Val IV	19,037,723	2.32	2.32	4.20	11.57	11.57	--	--	--	--	11.86
Samcera NCREIF ODCE EW (gross)		2.17	2.17	4.39	8.65	8.65	--	--	--	--	9.75
Excess		0.15	0.15	-0.18	2.92	2.92	--	--	--	--	2.11
PGIM Real Estate US Debt Fund	69,966,164	0.00	0.54	1.65	1.76	1.76	--	--	--	--	1.76
Samcera NCREIF ODCE EW (gross)		2.17	2.17	4.39	8.65	8.65	--	--	--	--	8.65
Excess		-2.17	-1.63	-2.74	-6.89	-6.89	--	--	--	--	-6.89
Liquid Real Assets	263,283,877	-0.89	2.73	-0.25	10.39	10.39	--	--	--	--	--
SamCera Custom Real Asset Index		-0.79	2.92	0.03	10.54	10.54	--	--	--	--	--
Excess		-0.10	-0.19	-0.28	-0.15	-0.15	--	--	--	--	--
SSGA CST REAL ASSET NL	263,283,877	-0.89	2.73	-0.25	10.39	10.39	--	--	--	--	--
SamCera Custom Real Asset Index		-0.79	2.92	0.03	10.54	10.54	--	--	--	--	--
Excess		-0.10	-0.19	-0.28	-0.15	-0.15	--	--	--	--	--
Private Real Assets	60,974,160	0.06	4.20	4.00	-4.22	-4.22	--	--	--	--	17.70
SamCera Custom Real Asset Inde		-0.79	2.92	0.03	10.54	10.54	--	--	--	--	11.58
Excess		0.85	1.28	3.97	-14.76	-14.76	--	--	--	--	6.12
Cash	46,983,612	0.07	0.29	0.47	0.91	0.91	0.71	0.63	0.62	0.36	1.95
Samcera Cash Benchmark		0.17	0.45	0.81	1.36	1.36	0.68	0.42	0.33	0.35	1.83
Excess		-0.10	-0.17	-0.34	-0.45	-0.45	0.03	0.21	0.29	0.00	0.12
SamCera General Account	15,190,030	0.17	0.51	0.89	1.52	1.52	0.91	0.60	0.47	0.53	1.98
County Treasury Pool	31,793,483	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.35	0.08	2.56
San Mateo County ERA	4,344,299,295	-0.50	0.65	0.08	6.58	6.58	6.56	7.96	7.49	6.14	6.77
Samcera Total Plan Benchmark		-0.05	1.21	0.53	8.26	8.26	7.12	8.29	7.95	6.83	7.10
Excess		-0.46	-0.56	-0.45	-1.67	-1.67	-0.56	-0.33	-0.45	-0.69	-0.33

June 30, 2018

**Record of Asset Growth**

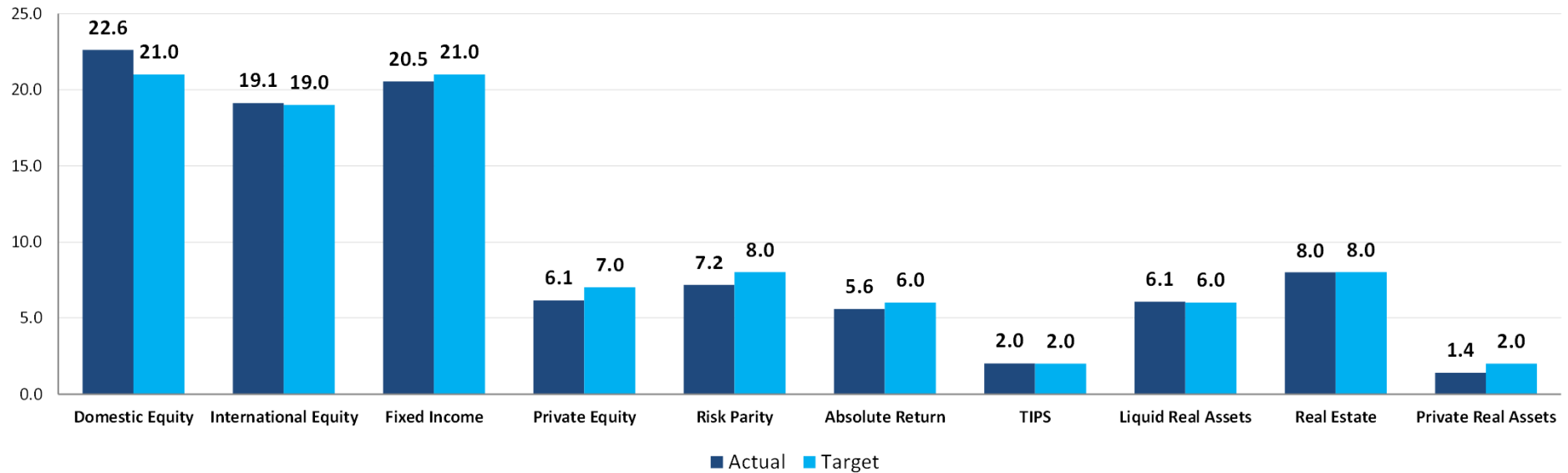
	Three Months	One Year
<b>TOTAL FUND</b>		
Beginning Market Value	4,326,430,549	4,024,564,230
Contributions	43,757,445	256,705,871
Withdrawals	-55,264,989	-213,729,078
Income Received	12,000,281	32,393,476
Gain/Loss	17,660,956	242,468,575
Ending Market Value	4,344,299,295	4,344,299,295

**Net Asset Values Over Time (\$000)**



June 30, 2018

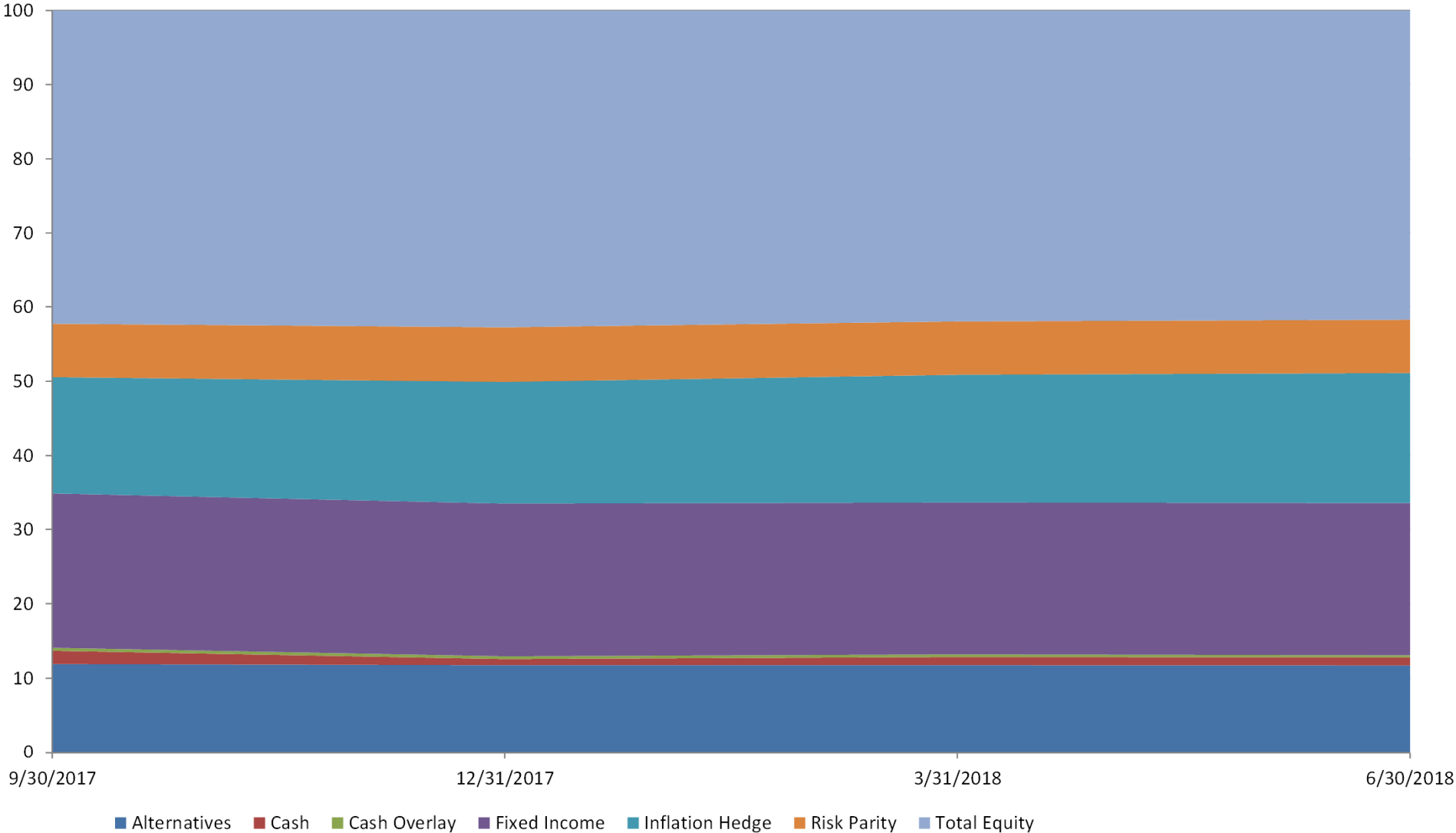
Actual vs Target Weights



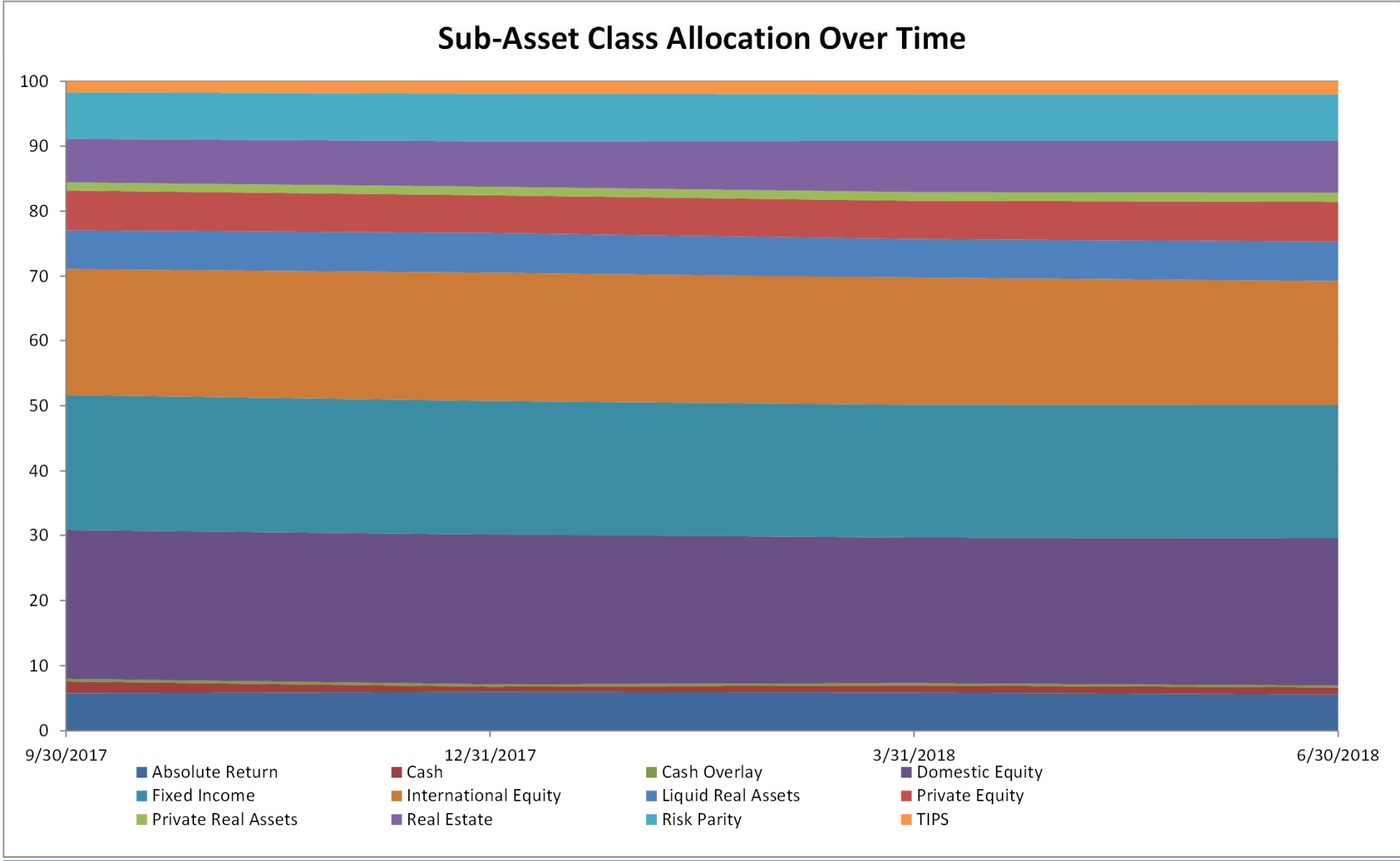
	Min	Actual	Target	Deviation	Max
<b>Domestic Equity</b>	19.0	22.6	21.0	1.6	23.0
<b>International Equity</b>	17.0	19.1	19.0	0.1	21.0
<b>Fixed Income</b>	19.0	20.5	21.0	-0.5	23.0
<b>Private Equity</b>	5.0	6.1	7.0	-0.9	9.0
<b>Risk Parity</b>	6.0	7.2	8.0	-0.8	10.0
<b>Absolute Return</b>	4.0	5.6	6.0	-0.4	8.0
<b>TIPS</b>	0.0	2.0	2.0	0.0	4.0
<b>Liquid Real Assets</b>	4.0	6.1	6.0	0.1	8.0
<b>Real Estate</b>	6.0	8.0	8.0	0.0	10.0
<b>Private Real Assets</b>	0.0	1.4	2.0	-0.6	4.0

June 30, 2018

Asset Allocation over Time



June 30, 2018



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**PERSPECTIVES  
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SUCCESS**

JUNE 2018  
Capital Markets Update



# Market commentary

## U.S. ECONOMICS

- Personal spending rose 0.2% from the previous month in May (4.6% YoY), below expectations of a 0.4% increase. The slower pace of consumer spending led to downward revisions in Q2 GDP expectations – the Atlanta Fed’s forecast fell from 4.5% to 3.8%.
- Core PCE inflation increased by 2.0% YoY in May, slightly above expectations of 1.9%. Year-over-year growth in this price gauge has moved up from 1.3% in August of last year and reached 2.0% for the first time since April of 2012.
- Non-farm payrolls added 213,000 jobs in June, led by strong gains in the manufacturing sector (+36,000). Year-to-date employment growth continued to be strong, despite low unemployment rates indicating a tight labor market.

## U.S. EQUITIES

- Investor concerns over uncertainty in global trade relations dominated the headlines, but U.S. equities still managed positive returns for the third straight month. The S&P 500 Index returned 0.6% in June.
- The S&P 500 Index has been rangebound between 2600 and 2800 since the sell off in February. The index finished the month near the middle of that range at 2718.
- Second quarter earnings estimates have increased over the past three months. According to FactSet, the bottom-up earnings forecast for the S&P 500 Index is 20.0% YoY, up from a forecast of 18.1% on March 31<sup>st</sup>.

## U.S. FIXED INCOME

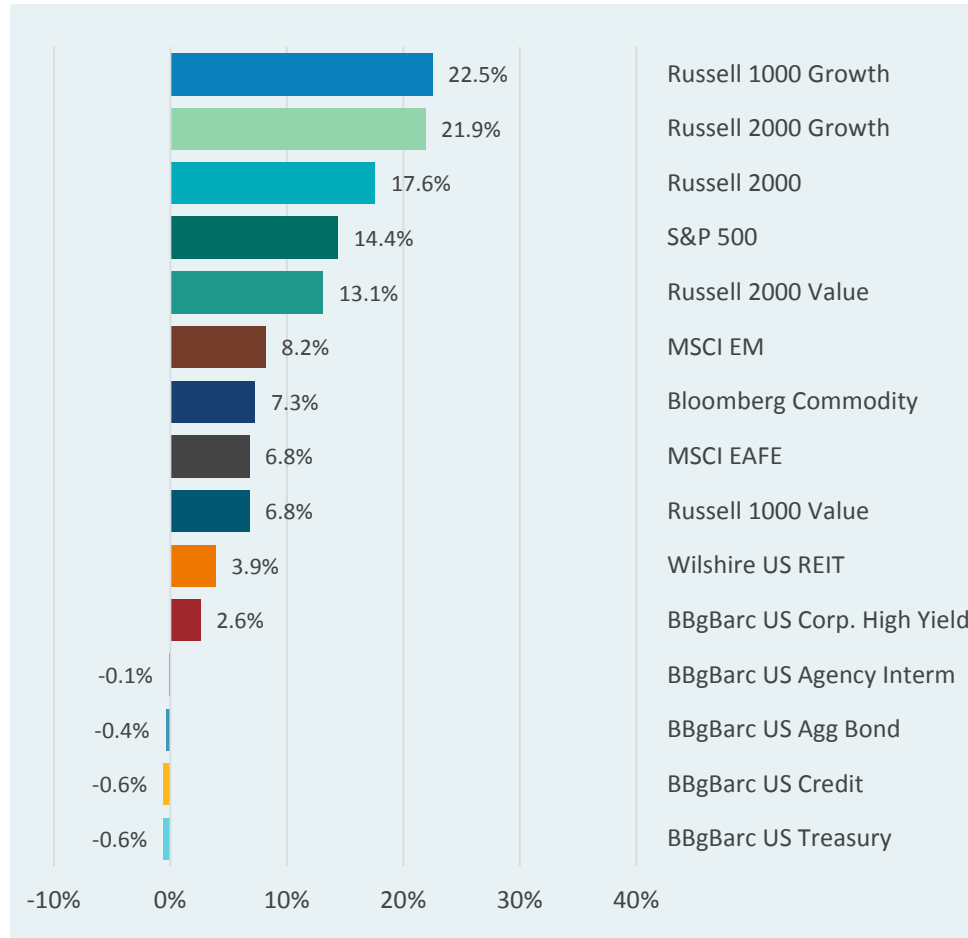
- The 10-year Treasury yield traded within a narrow range between 2.85% and 2.90%, ending the month at 2.86%.
- Short-term Treasury yields moved higher, resulting in a further flattening of the yield curve. The 2-year Treasury yield rose 10 bps to 2.53% – the spread between the 2 and 10-year yields fell to a cycle low of 33 bps.
- As expected, the Fed raised the fed funds rate by 25 bps to a target range of 1.8% to 2.0%. The committee also raised its expectations for additional hikes this year from one to two.

## INTERNATIONAL MARKETS

- The back and forth on trade relations between the U.S. and much of the rest of the world intensified, although there were not any major breakthroughs or setbacks. Global markets were rattled after a report that the White House was considering curbing foreign investment in U.S. companies for firms with more than 25% Chinese ownership. However, President Trump chose to focus on strengthening an already established foreign investment review process with the CFIUS.
- International developed equities underperformed U.S. equities (MSCI EAFE -1.2%) during the month, but much of this performance was driven by currency losses. On a hedged basis the MSCI EAFE returned -0.1%.
- Emerging market currencies depreciated further – the JPMorgan Emerging Market Currency Index fell 2.6%.

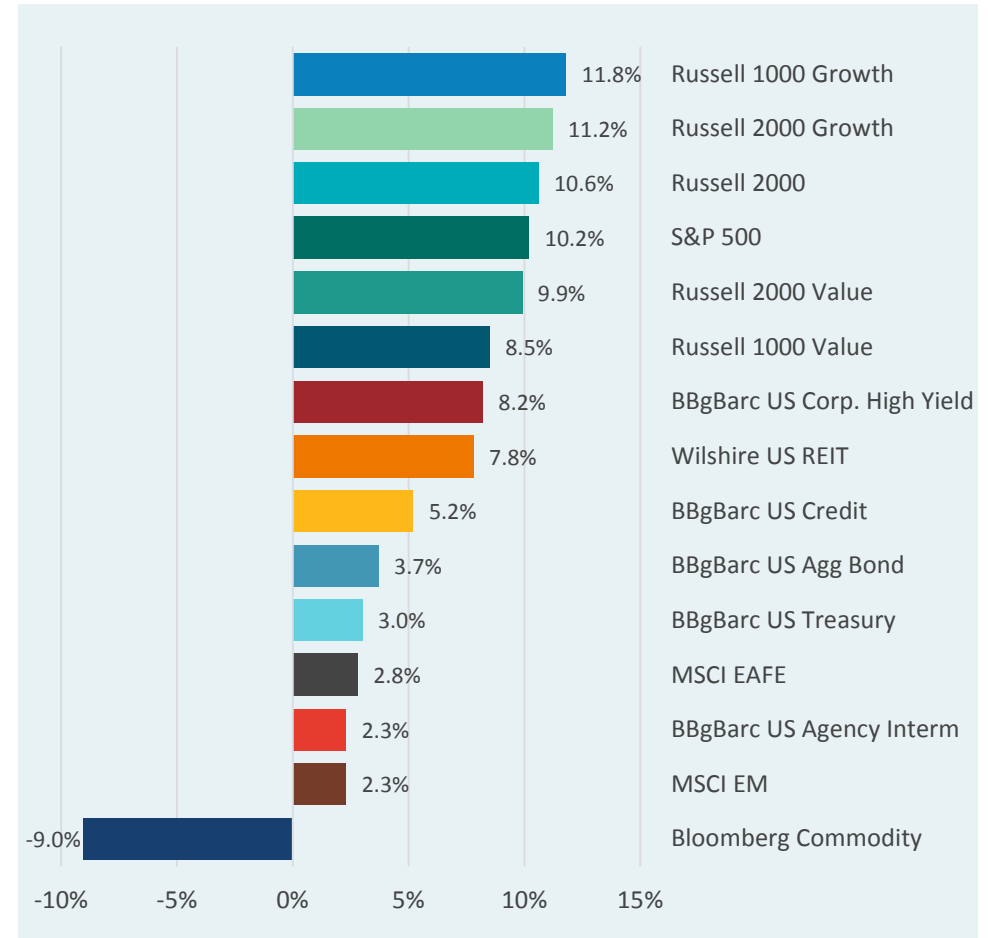
# Major asset class returns

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/18

TEN YEARS ENDING JUNE



Source: Morningstar, as of 6/30/18

# U.S. large cap equities

- The S&P 500 Index climbed to the upper end of its recent range (2800) in the middle of the month, but came back down to close only slightly higher, influenced by increased global trade tensions. The Index returned 0.6% in June.
- Defensive sectors in the S&P 500, such as Consumer Staples (+4.5%) and Utilities (+2.8%) outperformed the overall index. Cyclical sectors, including Industrials (-3.3%) and Financials (-1.9%) lagged the market.

- Implied volatility rose off of low levels during the second half of the month. The VIX Index closed at 16.1, slightly below its long-term average.
- Forward P/E ratios have been mostly unchanged since the significant upward earnings revisions experienced at the beginning of the year. The S&P 500 traded at a forward earnings multiple of 16.2 at the end of June, slightly above its long-term average of 15.8 since 1990.

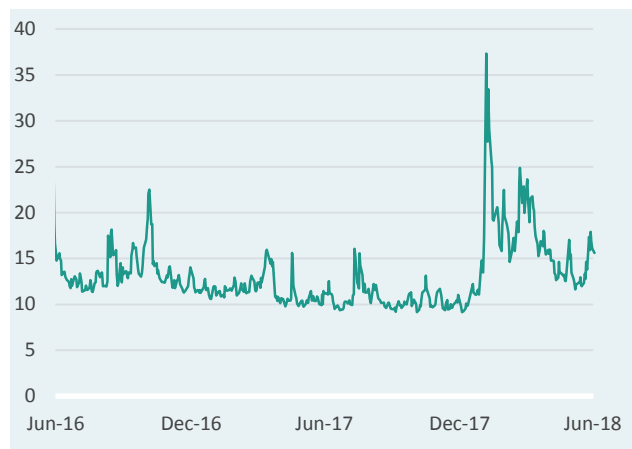
U.S. large cap equities remained rangebound

S&P 500 PRICE INDEX



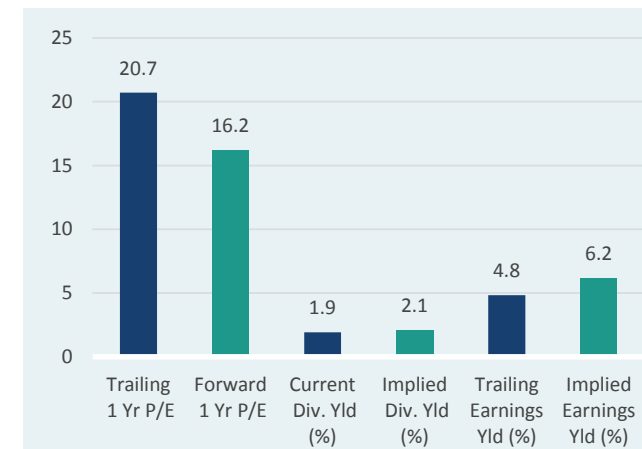
Source: Bloomberg, as of 6/30/18

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 6/30/18

S&P 500 VALUATION SNAPSHOT



Source: Bloomberg, as of 6/30/18

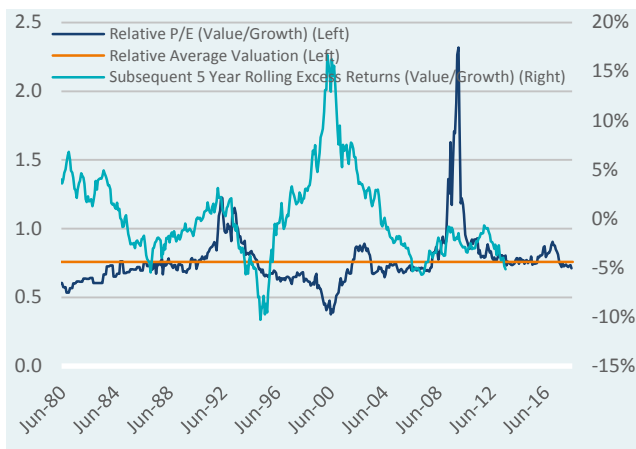
# Domestic equity size and style

- Small cap equity performance was on par with that of large cap equities. The Russell 2000 Index and Russell 1000 Index returned 0.7% and 0.6% in June, respectively.
- Small cap equities have experienced strong positive momentum over the past three months. The Russell 2000 Index was 5.7% above its 200-day moving average at the end of June, while the Russell 1000 Index was only 2.1% above its 200-day moving average.

- Growth equities outperformed value equities for the third straight month. The Russell 1000 Growth Index and Russell 1000 Value Index returned 1.0% and 0.2%, respectively.
- The Russell 1000 Growth and Russell 1000 Value Indices traded at trailing P/E ratios of 26.4 and 18.2, respectively at the end of June. The ratio of value to growth multiples was 0.69, slightly below its long-term average of 0.73.

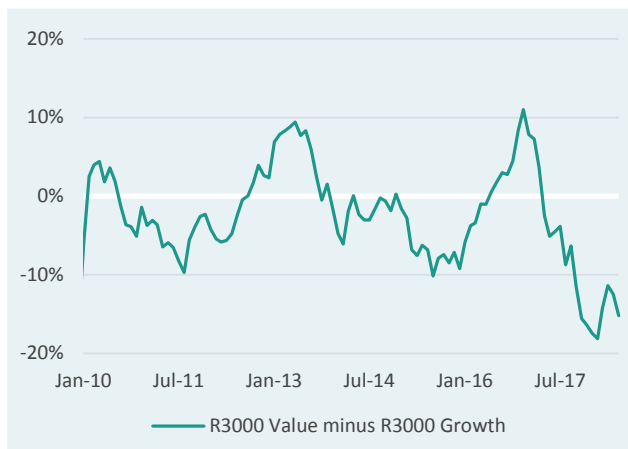
Growth equities outperformed for a third straight month

VALUE VS. GROWTH RELATIVE VALUATIONS



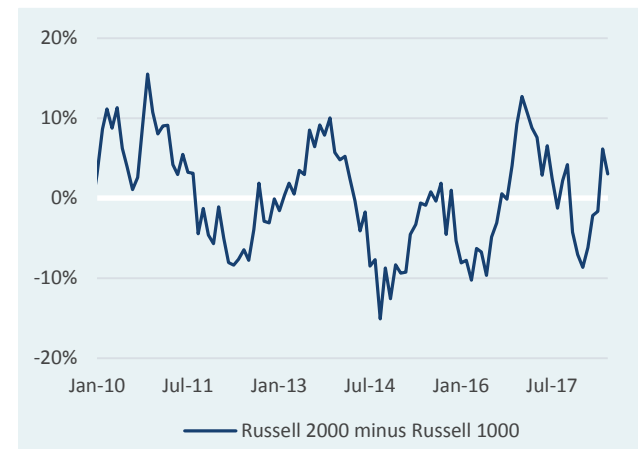
Source: Russell, Bloomberg, as of 6/30/18

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, as of 6/30/18

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



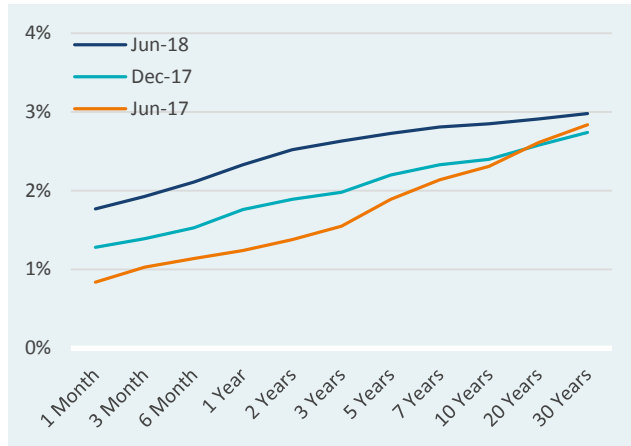
Source: FTSE, as of 6/30/18

# Fixed income

- The Bloomberg Barclays Agg Index lost 0.1% during the month as Treasury yields rose slightly and investment grade credit spreads widened. The yield on the index rose 7 bps to 3.3%, below the 20-year average of 4.0%.
- The shape of the Treasury yield curve flattened to a cycle low. The spread between the 10- and 2-year yields was 33 bps at the end of June. Yield curve shape (inversion) has historically been a useful late cycle indicator, but the ongoing Fed balance sheet unwind may impact how investors should interpret this signal.
- Investment grade credit spreads continued a year-to-date widening trend. The spread on corporate bonds in the Agg Index increased 8 bps to 1.23%, the highest level since late 2016. Investment grade spreads are up 30 bps so far this year.
- Emerging market local debt experienced more weakness during the month, primarily due to currency losses. The JPM GBI-EM Global Diversified Index lost 2.9%.

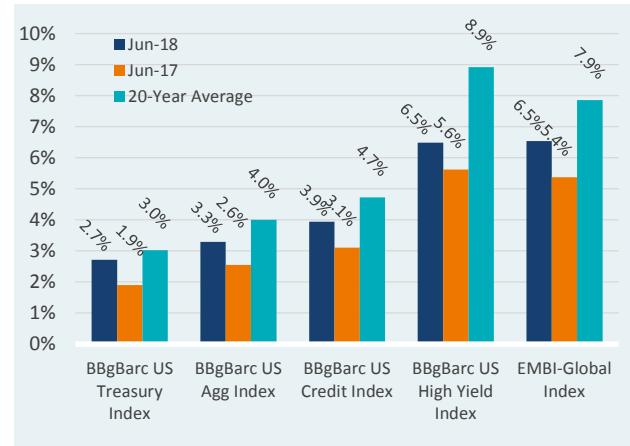
The Treasury curve flattened to a cycle low

U.S. TREASURY YIELD CURVE



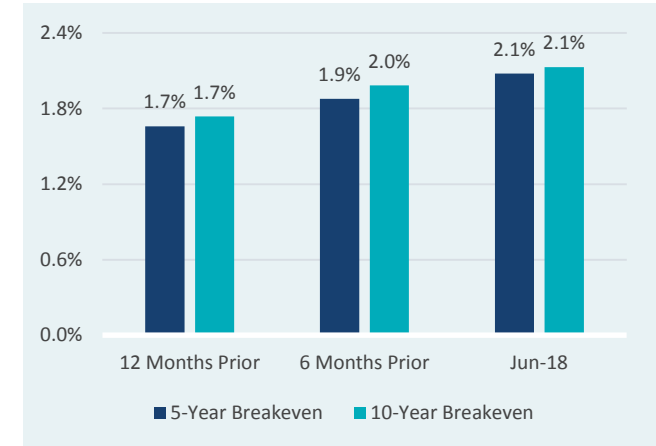
Source: Bloomberg, as of 6/30/18

NOMINAL YIELDS



Source: Morningstar, as of 6/30/18

BREAKEVEN INFLATION RATES



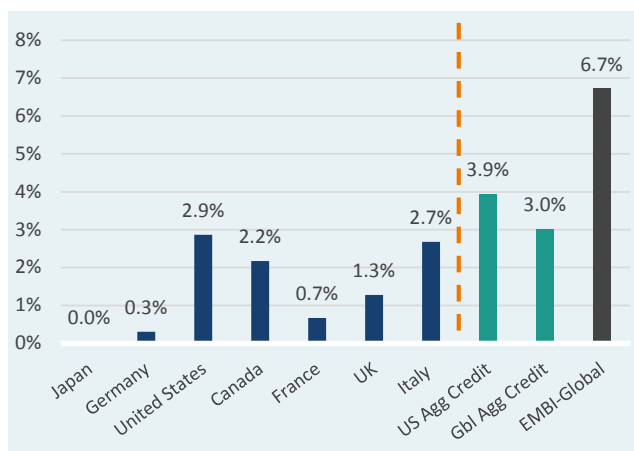
Source: Bloomberg, as of 6/30/18

# Global markets

- Emerging market equities significantly underperformed developed market equities for a third consecutive month. Recent losses in EM equity markets appear to be driven more by investor nervousness over trade rather than a change in fundamentals. The MSCI Emerging Markets Index and the MSCI World Index returned -4.2% and 0.0%, respectively.
- Chinese mainland equities experienced sharp losses in June. The CSI 300 Index fell 7.7%, and was down 20.0% from its peak in late January.
- As expected, the ECB announced it will cut bond purchases from €30 to €15 billion in October, and then stop purchases altogether at the end of year. The central bank also communicated it will not raise interest rates until at least the middle of 2019.
- The dollar appreciated in June against developed and emerging market currencies. The price-adjusted U.S. Dollar Major Currency Index rose 1.3%.

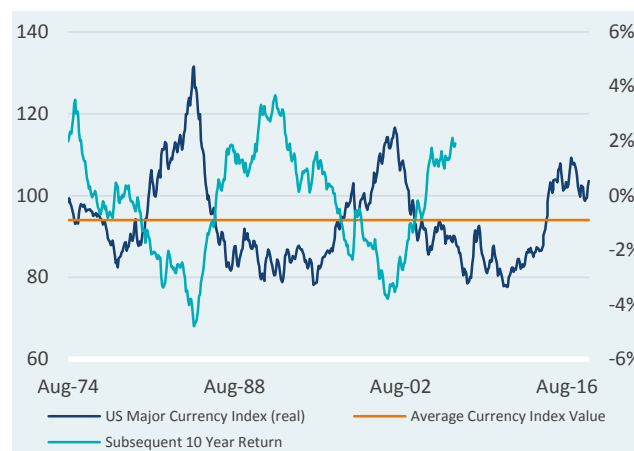
Emerging market assets faced continued selling pressure

GLOBAL SOVEREIGN 10-YEAR YIELDS



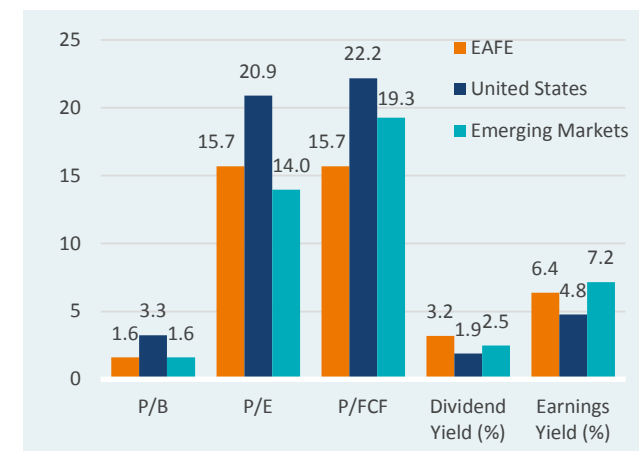
Source: Bloomberg, as of 6/30/18

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 6/30/18

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 6/30/18

# Commodities

- The Bloomberg Commodity Index fell 3.5% in June as agriculture and industrial metal prices sank.
- The Bloomberg Commodity Agriculture Index dropped 10.5%, influenced by concerns over slowing Chinese purchases of U.S. agriculture products as a retaliation to tariffs.
- WTI oil prices jumped to over \$74 per barrel for the first time since late 2015, up from \$67 (+10.7%) to start the month.

- Oil prices were impacted by OPEC’s agreement to increase production by around 800,000 barrels per day, less than originally anticipated. Further increases may be limited because certain members such as Saudi Arabia have already stepped up production to replace lower supply in countries such as Venezuela and Iran.

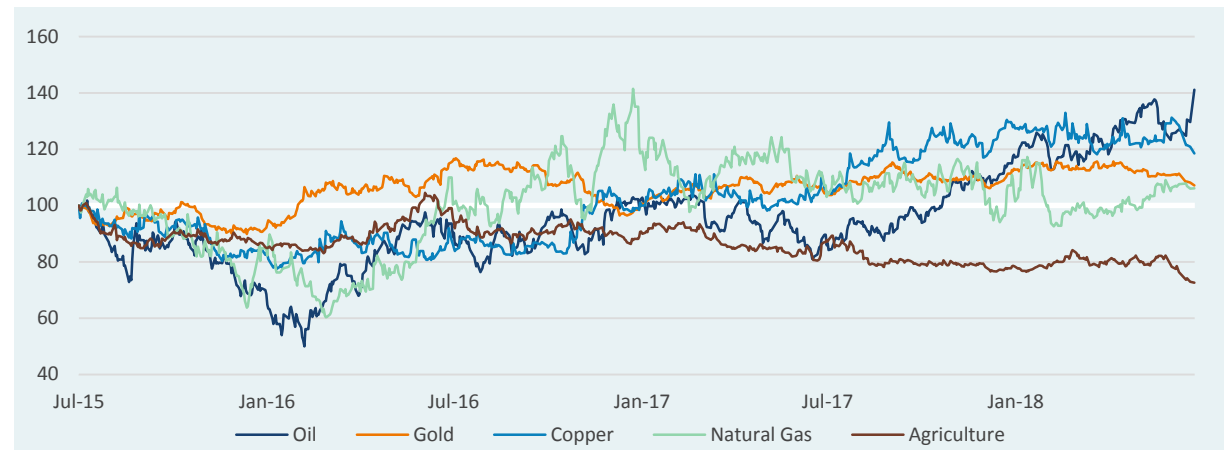
Agriculture prices dropped materially

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(3.5)	0.4	(0.0)	7.3	(4.5)	(6.4)	(9.0)
Bloomberg Agriculture	(10.5)	(8.7)	(5.8)	(13.3)	(9.9)	(9.5)	(7.1)
Bloomberg Energy	2.7	10.7	12.7	34.8	(9.0)	(13.0)	(20.0)
Bloomberg Grains	(11.7)	(9.7)	(3.3)	(16.7)	(13.7)	(12.0)	(9.5)
Bloomberg Industrial Metals	(4.8)	1.0	(5.3)	15.2	6.2	0.9	(4.6)
Bloomberg Livestock	2.7	5.5	(5.1)	(9.4)	(4.5)	(2.7)	(5.5)
Bloomberg Petroleum	3.8	13.0	18.3	58.4	(4.1)	(10.9)	(13.9)
Bloomberg Precious Metals	(3.3)	(4.5)	(5.0)	(0.8)	1.2	(1.3)	1.5
Bloomberg Softs	(7.4)	(1.9)	(11.8)	(7.9)	(4.4)	(8.4)	(4.7)

Source: Morningstar, as of 6/30/18

## COMMODITY PERFORMANCE



Source: Bloomberg, as of 6/30/18

# Appendix



# Periodic table of returns

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	5-Year	10-Year
Small Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	9.7	16.4	11.8
Small Cap Equity	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	7.7	13.6	11.2
Large Cap Growth	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	7.3	13.4	10.6
Small Cap Value	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	5.4	12.5	10.2
Large Cap Equity	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	2.9	11.2	9.9
Real Estate	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	1.7	10.3	8.5
Hedge Funds of Funds	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	1.2	10.0	6.1
Cash	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	0.8	6.4	4.8
Commodities	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	0.0	6.3	3.7
60/40 Global Portfolio	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-0.8	5.0	2.8
US Bonds	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	5.1	-1.6	3.6	2.3
Large Cap Value	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-1.7	2.3	1.5
International Equity	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-2.7	0.4	0.4
Emerging Markets Equity	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-6.7	-6.4	-9.0

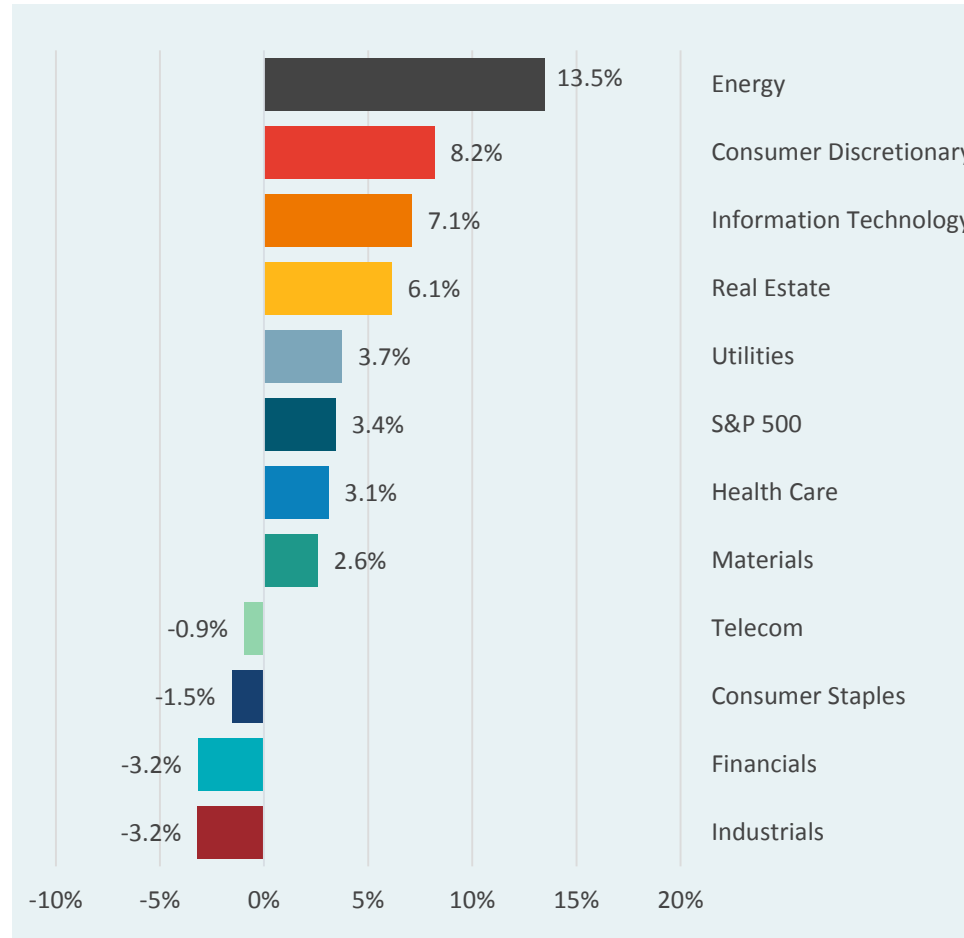
BEST  
↑  
WORST  
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- Large Cap Equity
- Small Cap Growth
- Commodities
- Large Cap Value
- International Equity
- Real Estate
- Large Cap Growth
- Emerging Markets Equity
- Hedge Funds of Funds
- US Bonds
- 60% MSCI ACWI/40% BBgBarc Global Bond
- Cash

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 3/31/18.

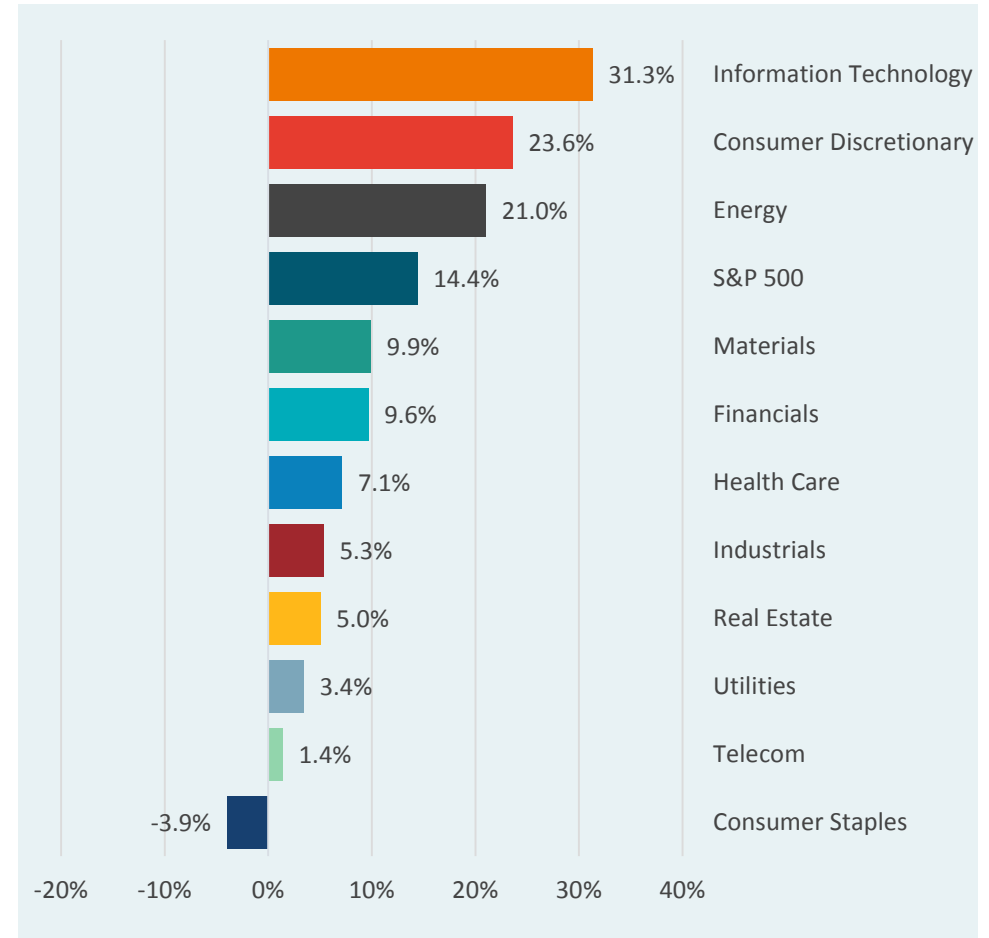
# S&P 500 sector returns

QTD



Source: Morningstar, as of 6/30/18

ONE YEAR ENDING JUNE



Source: Morningstar, as of 6/30/18

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	0.6	3.4	2.6	14.4	11.9	13.4	10.2
S&P 500 Equal Weighted	0.9	2.8	1.8	12.0	10.5	12.8	11.6
DJ Industrial Average	(0.5)	1.3	(0.7)	16.3	14.1	13.0	10.8
Russell Top 200	0.6	3.9	3.1	15.4	12.5	13.8	10.2
Russell 1000	0.6	3.6	2.9	14.5	11.6	13.4	10.2
Russell 2000	0.7	7.8	7.7	17.6	11.0	12.5	10.6
Russell 3000	0.7	3.9	3.2	14.8	11.6	13.3	10.2
Russell Mid Cap	0.7	2.8	2.3	12.3	9.6	12.2	10.2
<b>Style Index</b>							
Russell 1000 Growth	1.0	5.8	7.3	22.5	15.0	16.4	11.8
Russell 1000 Value	0.2	1.2	(1.7)	6.8	8.3	10.3	8.5
Russell 2000 Growth	0.8	7.2	9.7	21.9	10.6	13.6	11.2
Russell 2000 Value	0.6	8.3	5.4	13.1	11.2	11.2	9.9

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	(0.5)	0.5	(0.4)	10.7	8.2	9.4	5.8
MSCI ACWI ex US	(1.9)	(2.6)	(3.8)	7.3	5.1	6.0	2.5
MSCI EAFE	(1.2)	(1.2)	(2.7)	6.8	4.9	6.4	2.8
MSCI EM	(4.2)	(8.0)	(6.7)	8.2	5.6	5.0	2.3
MSCI EAFE Small Cap	(1.9)	(1.6)	(1.3)	12.4	10.1	11.3	6.8
<b>Style Index</b>							
MSCI EAFE Growth	(1.2)	0.1	(0.9)	9.4	6.4	7.4	3.5
MSCI EAFE Value	(1.3)	(2.6)	(4.6)	4.3	3.3	5.4	2.2
<b>Regional Index</b>							
MSCI UK	(1.0)	2.9	(1.0)	10.0	3.1	4.9	2.7
MSCI Japan	(2.5)	(2.8)	(2.0)	10.5	6.2	7.4	3.5
MSCI Euro	(0.7)	(2.8)	(3.2)	5.0	5.3	7.1	1.1
MSCI EM Asia	(4.7)	(5.8)	(5.1)	10.1	7.3	8.3	5.6
MSCI EM Latin American	(3.1)	(17.8)	(11.2)	(0.2)	2.0	(2.4)	(3.7)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
BBgBarc US TIPS	0.4	0.8	(0.0)	2.1	1.9	1.7	3.0
BBgBarc US Treasury Bills	0.2	0.5	0.8	1.3	0.7	0.4	0.4
BBgBarc US Agg Bond	(0.1)	(0.2)	(1.6)	(0.4)	1.7	2.3	3.7
<b>Duration</b>							
BBgBarc US Treasury 1-3 Yr	0.0	0.2	0.1	0.0	0.4	0.6	1.3
BBgBarc US Treasury Long	0.2	0.3	(3.0)	(0.1)	3.4	4.5	6.1
BBgBarc US Treasury	0.0	0.1	(1.1)	(0.6)	1.0	1.5	3.0
<b>Issuer</b>							
BBgBarc US MBS	0.0	0.2	(1.0)	0.1	1.5	2.3	3.5
BBgBarc US Corp. High Yield	0.4	1.0	0.2	2.6	5.5	5.5	8.2
BBgBarc US Agency Interm	0.0	0.2	(0.2)	(0.1)	0.8	1.1	2.3
BBgBarc US Credit	(0.5)	(0.9)	(3.0)	(0.6)	2.9	3.4	5.2

## OTHER

<b>Index</b>							
Bloomberg Commodity	(3.5)	0.4	(0.0)	7.3	(4.5)	(6.4)	(9.0)
Wilshire US REIT	4.5	9.7	1.5	3.9	7.8	8.4	7.8
CS Leveraged Loans	0.2	1.0	2.3	4.5	4.2	4.1	5.0
Alerian MLP	(1.5)	11.8	(0.6)	(4.6)	(5.9)	(4.1)	6.5
<b>Regional Index</b>							
JPM EMBI Global Div	(1.2)	(3.5)	(5.2)	(1.6)	4.6	5.1	6.7
JPM GBI-EM Global Div	(2.9)	(10.4)	(6.4)	(2.3)	2.0	(1.4)	2.6
<b>Hedge Funds</b>							
HFRI Composite	(0.1)	0.8	1.2	5.2	2.6	4.2	3.5
HFRI FOF Composite	(0.2)	0.9	1.2	5.6	2.1	3.6	1.5
<b>Currency (Spot)</b>							
Euro	0.0	(5.1)	(2.8)	2.4	1.6	(2.1)	(3.0)
Pound	(0.8)	(5.9)	(2.4)	1.6	(5.7)	(2.7)	(4.0)
Yen	(1.9)	(4.0)	1.7	1.4	(3.4)	(2.2)	(0.3)

Source: Morningstar, HFR, as of 6/30/18

# Notices & disclosures

**Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended. Additional information about Verus Advisory, Inc. available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

July 24, 2018

Agenda Item 6.2

**TO:** Board of Retirement

**FROM:** Lilibeth Dames, Investment Analyst

*Lilibeth Dames*

**SUBJECT:** Report on SamCERA's Securities Lending Program

**Recommendation**

Review the report on SamCERA's Securities Lending Program.

**Background**

SamCERA commenced its securities lending program on July 1, 2007. The program was implemented by SamCERA's then custodian, State Street Bank & Trust. Effective July 1, 2014, SamCERA switched custodial banks from State Street Bank & Trust to The Northern Trust Company.

In September 2016, SamCERA's collateral reinvestment pool with Northern Trust, the NILAP Cash Collateral Fund, converted from a money market fund to a government money market due to regulatory changes mandated by the SEC. The NILAP is required to invest a minimum of 99.5% of assets in cash, government securities and/or government repurchase agreements.

**Discussion**

In the eleven years since inception, the securities lending program has earned \$7.0 million for SamCERA. During the fiscal year ended June 30, 2018, the program earned \$43,329. This is a 4.3% decrease from last fiscal year's earnings of \$45,271.

Securities lending utilization (on-loan amount divided by lendable assets) had dropped to zero by the end of last fiscal year (June 30, 2017). This was due to a combination of different factors that occurred during that year: (1) a decrease in separately managed accounts in SamCERA's portfolio due to asset allocation changes, (2) restrictive SEC-mandated changes to the NILAP cash collateral pool, and (3) SamCERA's restriction guidelines which were no longer appropriate given the first two factors.

In order to address the issues that were hampering securities lending, staff consulted with Northern Trust and made two changes to the securities lending guidelines:

1. The maximum allowable percentage of assets on loan to any single borrower was changed from 20% of the total amount on loan to a fixed dollar amount of \$3 million.
2. The maximum total amount of program assets on loan was changed from 50% of lendable assets to a fixed dollar amount of \$10 million.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

These changes removed the previous guideline restrictions that were preventing securities from being borrowed. The program has been lending well below these new maximum limit restrictions. Utilization has averaged 1.6% during the course of the fiscal year.

**Attachment**

Securities Lending Report for Fiscal Year Ended June 30, 2018

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

**SamCERA SECURITIES LENDING REPORT AS OF JUNE 30, 2018**

**EARNINGS**

SamCERA's securities lending program earned \$43,329 for the fiscal year ending June 30, 2018. This is a 4.3% decrease over last year's fiscal year earnings of \$45,271. As of June 30, 2018, the program has earned \$7.0 million since its inception on July 1, 2007.

Earnings History

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San Mateo County Employees' Retirement Association

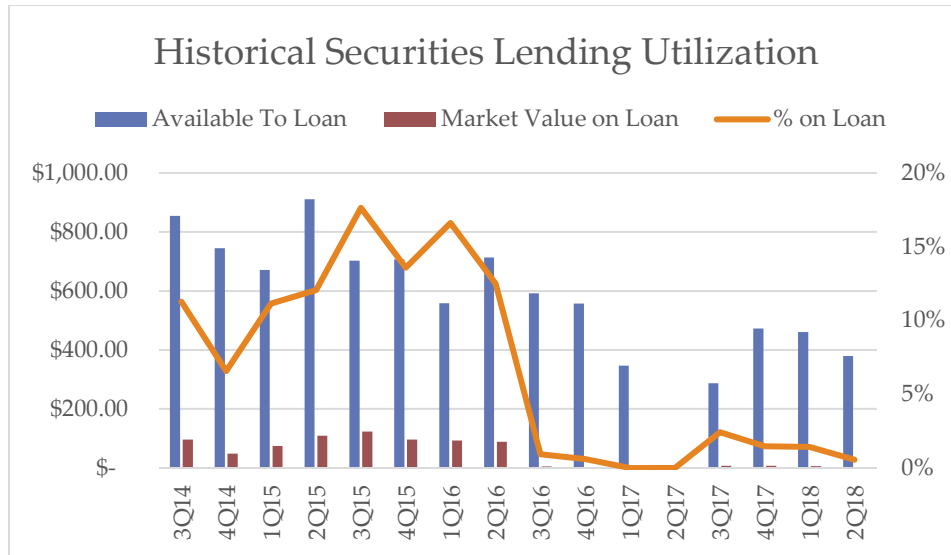
	US Corp Bond & Equity	US Government	Non-US Equity & Fixed	Total	Cumulative Earnings
FY 2008	\$ 762,882	\$ 342,325	\$ 513,648	\$ 1,618,855	\$ 1,618,855
FY 2009	\$ 764,480	\$ 317,263	\$ 549,531	\$ 1,631,274	\$ 3,250,129
FY 2010	\$ 489,982	\$ 51,009	\$ 201,945	\$ 742,936	\$ 3,993,065
FY 2011	\$ 311,009	\$ 23,915	\$ 195,387	\$ 530,311	\$ 4,523,376
FY 2012	\$ 489,375	\$ 10,926	\$ 220,918	\$ 721,219	\$ 5,244,595
FY 2013	\$ 398,363	\$ 8,087	\$ 215,443	\$ 621,893	\$ 5,866,488
FY 2014	\$ 295,063	\$ 6,277	\$ 134,118	\$ 435,458	\$ 6,301,946
FY 2015	\$ 215,458	\$ 2,989	\$ 91,199	\$ 309,645	\$ 6,611,591
FY 2016	\$ 190,240	\$ 1,347	\$ 86,171	\$ 277,758	\$ 6,889,349
FY 2017	\$ 30,013	\$ -	\$ 15,276	\$ 45,271	\$ 6,934,620
FY 2018	\$ 7,280	\$ 1,118	\$ 34,931	\$ 43,329	\$ 6,977,949

Fiscal year earnings were mainly attributable to non-US equities. During the previous fiscal year (period ended June 30, 2017), there were several factors that hampered the securities lending program and led to the eventual suspension of securities lending: (1) a decrease in separately managed accounts in SamCERA's portfolio due to asset allocation changes, (2) restrictive SEC-mandated changes to the NILAP cash collateral pool, and (3) SamCERA's restriction guidelines which were no longer appropriate given the first two factors. For the current fiscal year, the decreased number of SamCERA separate accounts eligible for securities lending as well as the conservative nature of the NILAP fund still have an effect on earning levels.

**UTILIZATION**

Utilization (securities on-loan amount divided by lendable assets) has ranged from 0% to 20% during the approximately four years that SamCERA has used Northern Trust as its securities lending provider. Utilization significantly declined in the Third Quarter of 2016 when the NILAP fund converted into a government money market fund and SamCERA changed its small cap manager structure during that quarter, removing two separate accounts from the securities lending program. SamCERA removed another two accounts when it made changes to its large cap equity structure in the early First Quarter of 2017. Because of those changes, utilization dropped to zero during that quarter.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**



In the beginning of the Third Quarter of 2017, SamCERA made two changes to the securities lending guidelines:

1. The maximum allowable percentage of assets on loan to any single borrower was changed from 20% of the total amount on loan to a fixed dollar amount of \$3 million.
2. The maximum total amount of program assets on loan was changed from 50% of lendable assets to a fixed dollar amount of \$10 million.

These two changes removed the previous restrictions that were hampering securities from being borrowed. Utilization has averaged 1.6% during the course of the fiscal year.

## COLLATERAL

Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SamCERA's loans was approximately 15 days as of June 30, 2018.

There were no violations of legal or contractual provisions, and no borrower or lending agent default losses were known to SamCERA's custodian, Northern Trust.



**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

July 24, 2018

Agenda Item 6.3

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst



**SUBJECT:** Report on Core Equity and Passive Manager Annual Reviews

**Recommendation**

Accept and review the report on the annual reviews of SamCERA's Core Equity and Passive strategies.

**Background**

On May 3rd, SamCERA staff held annual review meetings in SamCERA's office for our core equity managers (D.E. Shaw and Quantitative Management Associates - QMA) and our passive strategies (Blackrock). Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

**Discussion**

The Blackrock Russell 1000, EAFE and Intermediate Government Bond Index Funds were reviewed first. In early 2018, the firm rotated the senior leaders on their ETF and Index investments platform, but the portfolio management team remained the same. In April 2018, the firm acquired Tennenbaum Capital Partners.

Next, the D.E. Shaw U.S. Broad Market Core Alpha Extension Fund, which is a 130/30 large-cap core strategy that seeks to identify market inefficiencies through quantitative analysis, was reviewed. Lastly, the QMA U.S. Small Cap Core Equity Fund, which is a fundamental, bottom-up, quantitative small-cap core strategy that uses an adaptive and systematic approach to stock selection, was reviewed. In October 2017, QMA hired a Co-Head to its Quantitative Equity platform.

There were no major concerns identified during the reviews. Meeting notes are attached to this memo summarizing the findings from these annual reviews.

**Attachments**

- A. BlackRock Passive Index Annual Review Meeting Notes
- B. D.E. Shaw Annual Review Meeting Notes (confidential)
- C. QMA Annual Review Meeting Notes

*Date of meeting: 5/3/2018*

*Location: SamCERA Office*

Manager Representative(s)

Scott Dohemann (Head of US Product Strategy), Anthony Freitas (Client Service), Valerie Wong (Global Strategy team), Laura May (Fixed Income Research), Tom Holmes (Client Service)

Verus Representative(s)

Joseph Abdou

Client Representative(s)

Susan Lee (Trustee), Mike Coultrip (CIO), Lilibeth Dames (Analyst), Doris Ng (Analyst)

Account AUM (Q1-2018)

Russell 1000 \$694 mm  
Interm. Gov Bond \$215 mm  
EAFE \$244 mm

## Product Description

BlackRock uses a full replication approach. They hold each stock in the same proportion in which they are represented in the S&P 500 Index and the MSCI EAFE Index, respectively. BlackRock monitors their funds daily to ensure that additions and deletions to the indexes, mergers and acquisitions, restructurings and other capitalization changes are made to the fund in such a way as to minimize tracking error and transactions costs.

## Organization

BlackRock, founded in 1988, has risen to become the largest asset manager in the world through the growth of its legacy products as well as a series of strategic acquisitions. The two most significant deals were the mergers with Merrill Lynch Investment Managers (MLIM) in 2006 and Barclays Global Investors (BGI) in 2009. MLIM began managing assets in the UK in 1946 as part of S.G. Warburg & Co. (later known as Mercury Asset Management), and in the US in 1976 under the Merrill Lynch name. BGI traces its roots back to 1922, when its predecessor organizations, Wells Fargo Investment Advisors and Wells Fargo Bank, began managing US institutional assets. BGI was formed in 1995 from the merger of Barclays de Zoete Wedd Investment Management and Wells Fargo Nikko Investment Advisors. Other notable acquisitions include State Street Research & Management (2005), Quellos Group (2007) and R3 Capital Partners (2009). In addition to its asset management business, BlackRock provides risk management and advisory services through its BlackRock Solutions arm.

Total firm assets at 3/31/17 were \$6.3 trillion with \$3.4 trillion in equities and \$1.9 trillion in Fixed Income. As of December 2017, AUM in the Russell 1000 Index, Intermediate Gov Bond Index, and EAFE Index were \$81 billion, \$3 billion, and \$119 billion, respectively.

BlackRock continues to see flows into index funds/ETFs and enhanced Beta products. BlackRock acquired Tennenbaum in April 2018.

### Investment Team

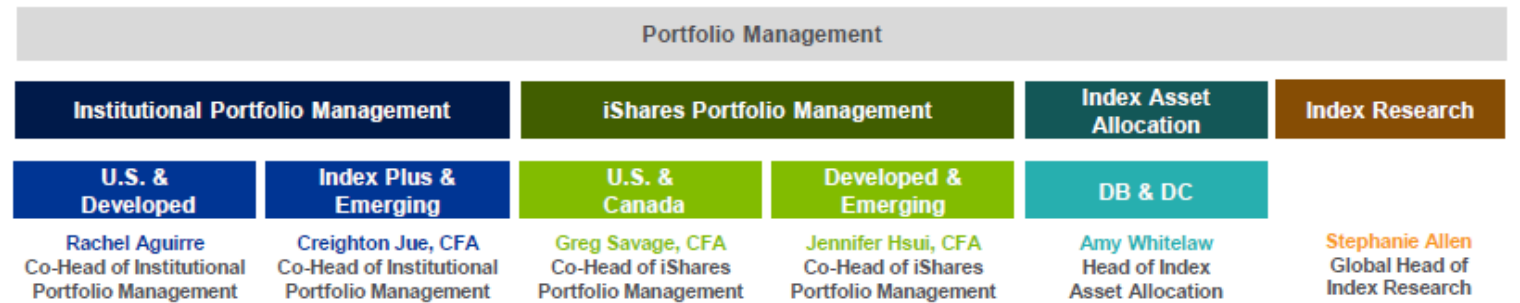
BlackRock employs a large team of portfolio managers, research professionals, strategists and traders on its index team, which manages both institutional (index fund) and iShares applications. Most of these employees are located in San Francisco.

There has been a rotation of team leads from last year as seen in the 2017 vs. 2018 organization charts below:

2018



2017



Rich Kushel took over as Global Head of Fixed Income after Tim Webb stepped down to take time off with his family. Rich was formerly the Head of Multi-Asset. There is no impact on the portfolio management team with this transition.

### Investment Strategy

BlackRock focuses on three objectives in the management of its index funds: minimizing tracking error, minimizing transaction costs, and minimizing investment and operational risks. BlackRock believe that superior investment outcomes can most reliably be achieved through Total Performance Management – the management of return, risk, and cost. Blackrock employs quantitative management techniques through the use of sophisticated computer-driven models to ensure all ideas are theoretically sound and empirically valid.

There are multiple, small sources of tracking to the benchmark in index management. Commissions, taxes, market impact and cash drag are small detractors from performance. Securities lending and a tax advantage specific to international portfolios are persistent tailwinds.

While the equity index funds are fully replicated, fixed income index funds utilize stratified sampling. Treasuries, which comprise the 95% of the market value for the Bloomberg Barclays U.S. Intermediate Government Index, are largely replicated

while Agency exposure, which comprises a small percentage of the index yet has a large number of issues, utilizes more sampling.

### **Performance & Positioning**

For the past year ended 3/31/18, the three funds have met expectations from a performance and tracking standpoint. Annual expected tracking errors for the funds are as follows: Russell 1000 Fund (0-5 bps), EAFE Index (0-15 bps), and Intermediate Government Bond Index Fund (5-10 bps). BlackRock's passive size and scale is a differentiator, and the ability to cross trade is an important means of cost reduction. For the BlackRock Equity Index funds they receive approximately 3 bps from securities lending and 1 bps from security litigation, while cash drag costs and transaction costs give back 1 bps each for the year.

During the annual review, Scott Dohemann talked generally about the importance of BlackRock's scale and the ability to cross trade as a means of cost reduction. Approximately half of fund flows can be crossed, and about half of index changes can be matched. Crossing can significantly decrease the costs during the annual Russell reconstitution.

There are some nuances to their full replication approach. Both equity funds are fully replicated most days and most of the time. However, cost is a consideration in the return vs. tracking error decision and the team may wait for short period to replicate the index if the differences are small and the trade is not cost effective.

### **Conclusion**

BlackRock's mandates for SamCERA successfully replicate the returns of their underlying benchmarks with tight tracking. We consider BlackRock to be a top tier passive manager.

*Date of meeting: 5/3/2018*

*Location: SamCERA Office*

Manager Representative(s)

Stacie Mintz (Portfolio Manager) and Brad Zenz (Client Relations)

Verus Representative(s)

Joseph Abdou

Client Representative(s)

Mike Coultrip (CIO), Lilibeth Dames (Analyst), Doris Ng (Analyst)

## Product Description

Quantitative Management Associates (QMA) utilizes a bottom-up quantitative framework in order to provide a diversified exposure to core U.S. small-cap stocks, while attempting to produce consistent outperformance versus the benchmark with moderate tracking error levels. QMA uses an adaptive, systematic investment process to exploit opportunities created by mispriced securities to consistently add value over long time periods. Bottom-up stock selection drives exposure to key sources of alpha (valuation, growth, and quality). The QMA stock selection model adapts to changes in company growth rates and market environments by putting more emphasis on valuation for slowly growing companies, and more emphasis on future growth projections for companies with higher projected growth rates.

QMA was added to the SamCERA portfolio in August 2016. QMA managed \$118 million for SamCERA as of 3/31/17.

## Organization

QMA is an SEC-registered investment adviser, organized as a Limited Liability Company in the state of New Jersey. Founded in 1975, QMA manages portfolios for a worldwide institutional client base, including corporate and public pension plans, endowments and foundations, multi-employer pension plans, and sub-advisory accounts for other financial services companies.

QMA began managing US equity accounts for institutional clients in January 1975. After operating for many years as a division within Prudential Financial, Inc., known today as PGIM, Inc. (formerly known as Prudential Investment Management), QMA became a wholly owned subsidiary of PGIM in 2004. No changes in investment professionals or process occurred as a result of this change in legal structure.

QMA's primary office is located in Newark, NJ, where the team responsible for the US Small Cap Core Equity strategy is based. QMA's portfolio management, research, and trading are performed in the Newark office. The firm has a secondary office in San Francisco where research is also performed, and just recently opened an office in London hiring an International lead from BlackRock.

On October 2, 2017, George Patterson, PhD joined QMA as Co-Head of the Quantitative Equity platform, partnering with Peter Xu, PhD. Peter now has someone help manage the team and spends more time on the model.

As of 3/31/18, QMA managed \$127.6 billion in total assets under management. Asset gains outweigh losses for 2017 by approximately \$150 million. US Small Cap comprised \$2.0 billion of the firm's assets. QMA believes that controlled growth is the optimal way to grow its business.

## Investment Team

QMA's investment team includes 19 PhDs, many of whom have spent all or most of their careers at the firm. The US Core Equity team has worked together for an average of 14 years and has an average of 18 years of investment experience. All US Small Cap Core Equity portfolios are team managed.

Peter Xu, PhD and George Patterson co-head the team. SamCERA's portfolio manager Stacie Mintz, CFA has worked on the small cap portfolio since its inception in 1997.

## Investment Strategy

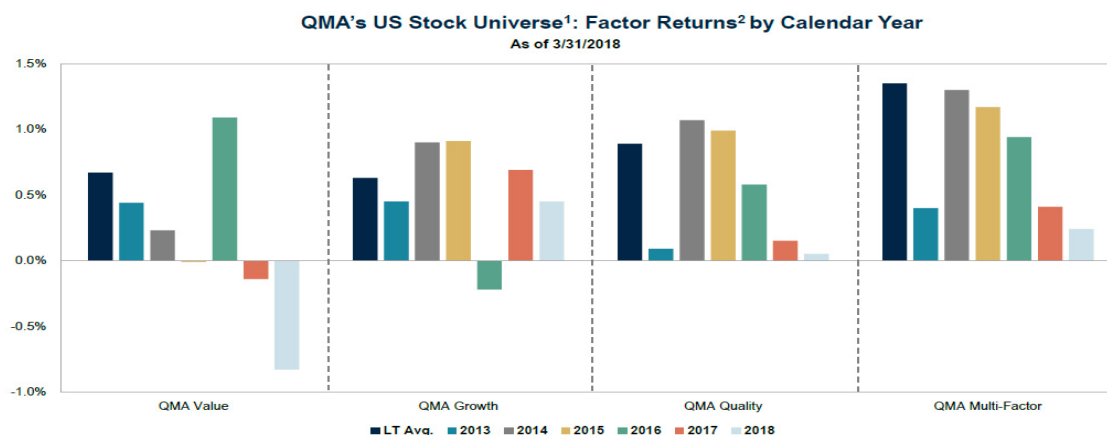
QMA's stock selection model adapts to changes in company growth rates and market environments by putting more emphasis on valuation for slowly growing companies, and more emphasis on future growth projections for companies with higher projected growth rates. Stocks are categorized along a continuum of slow growth to fast growth with optimal adaptive factor weights to valuation, earnings expectations and quality. Stocks with the highest rankings are purchase candidates. At the time of the review, the slow growth bucket had a 70% weighting to valuation which was additive to performance. Consistency of alphas are emphasized in their approach, and industry adjustments are utilized for multiple industries.

QMA does not use a traditional risk model, but instead uses fundamental risk limits/deviations to the Russell 2000 specific to industry and sector (+/-0.75%), size (+/-3%) and style (+/-2%). Position weights are also benchmark relative (+/-0.75%). An example of how they are different from other quant managers is that they may buy less of two stocks that rank equally as opposed to choosing only one. Initial position size is 50 bps which then can drift within portfolio construction guidelines. The portfolio currently holds about 380 stocks; the maximum number of stocks is 400.

While the model is run daily, they trade about every two weeks. Changes in earnings, valuation and quality observed daily help to determine the speed of trading.

## Performance & Positioning

Since SamCERA's portfolio inception in August 2016, the QMA small cap portfolio outperformed by 10 bps at 3/31/18 (16.0% vs. 15.9% for the Russell 2000 Index). The strategy gave back most of its initial outperformance from 2016 when the value factor was performing well. Towards the end of 2017 and into 2018 the value factor hurt relative performance (see chart below).



<sup>1</sup>Average monthly equal-weighted market-adjusted gross returns for all stocks in universe (largest 3,000 US stocks).

<sup>2</sup>Based on the difference between each group of stocks' returns and the average of all stocks' returns.

Source: QMA using data provided by FactSet. Returns are gross of management fees and are only provided to illustrate the information implicit in our stock selection methodology.

Please see 'Notes to Disclosure' page for Important Information including risk factors and disclosures. Past performance is not a guarantee or a reliable indicator of future results.

## Conclusion

Despite the value factor headwinds QMA has performed in line with the index, and we maintain conviction in them.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

July 24, 2018

Agenda Item 6.4

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst



**SUBJECT:** Report on the International Equity Manager Annual Reviews

**Recommendation**

Review the report on the annual reviews of SamCERA's International Managers.

**Background**

SamCERA staff held annual review meetings in SamCERA's office with Baillie Gifford and Eaton Vance Parametric on June 7<sup>th</sup>, and Mondrian on June 14<sup>th</sup>.

Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

**Discussion**

Baillie Gifford's ACWI ex-US Growth portfolio, which is a fundamental growth strategy organized by regional teams, was reviewed first. Next, Eaton Vance Parametric's Emerging Markets Core Equity strategy, which is a structured, rules-based approach, was reviewed. Lastly, Mondrian's All Countries World ex-US strategy, which is a value-oriented international equity approach, was reviewed.

Meeting notes are attached to this memo summarizing the findings from the annual reviews for Baillie Gifford, Eaton Vance Parametric and Mondrian.

**Attachments**

- A. Baillie Gifford Annual Review Meeting Notes
- B. Eaton Vance Parametric Annual Review Meeting Notes
- C. Mondrian Annual Review Meeting Notes

*Date of meeting: 6/7/2018*

*Location: SamCERA Office*

Manager Representative(s)

Joe Faraday (Member of Portfolio Construction Group, Client Service), Kelly Cameron (Client Service Manager)

Verus Representative(s)

Joseph Abdou

Client Representative(s)

Lilibeth Dames (Analyst), Doris Ng (Analyst)

Account Assets

\$254 mm (Q1 2018)

ACWI ex US Focus is a fundamental growth strategy. Research is organized by regional teams, and the strategy's Portfolio Construction Group (PCG) includes members from different regional teams. Four global sector groups also contribute to research. Baillie Gifford conducts approximately 2000 company meetings annually both in Edinburgh and onsite. Companies are evaluated on their growth opportunity relative to the average company, their ability to execute on that opportunity, and the degree to which the probability of future success is already valued by the market. Baillie Gifford's basic philosophy is that share prices ultimately follow earnings. They believe that the stock market has a recurring tendency to under-appreciate the value of long-term compounded growth. The process seeks to add value through use of proprietary fundamental research to identify companies exhibiting some combination of sustained above average growth, and attractive financial characteristics. The portfolio generally holds 60-90 stocks, with country and sector weights +/-10% relative to the index and stock weights +/- 5% relative to the index.

## Meeting Notes

### Organization

Baillie Gifford remains an independent partnership with no external owners. All operations are based in Edinburgh, Scotland with small marketing offices in New York and London. The firm has 44 full time partners. Over the past year, four partners retired and five were added. The new partners are Amy Attack (Client Director), Nick Wood (Client Director), Matt Brett (Investment Manager Japanese All Cap), James Squires (Investment Manager Multi-Asset), Evan Delaney (Head of Business Risk).

At 3/31/18, firm assets under management were \$249 billion, which is an increase of \$50 billion from last year. There have been three new accounts gained in the strategy and three losses due to client de-risking. As of March 31, 2018, AUM in International Focus increased from \$12.7 billion to \$16.4 billion over the year.



## Investment Team

There were no changes to the portfolio construction group (PCG) that oversees the ACWI ex US Focus strategy over the past year. The International Focus PCG contains a mix of portfolio managers from different regional investment backgrounds and with varying levels of experience by design. Diversity of opinions and debate are integral to the decision-making process. The PCG is comprised of veteran Baillie Gifford professionals Gerard Callahan, Joe Faraday, Iain Campbell, Tom Walsh, Moritz Sitte and Sophie Earnshaw. The members of the PCG serve as both portfolio managers and research analysts. The PCG makes all decisions for the portfolio after debate and discussion as a team.

## Investment Strategy

The investment philosophy and process remains unchanged. Baillie Gifford seeks to identify companies with strong long term growth prospects and take substantial positions in them. The investment horizon is typically 5 years.

Baillie Gifford summarizes their investment criteria with the following four questions:

Will this company be significantly larger in five years?

Are management sensible guardians of our clients' capital?

Why is this growth not reflected in the current share price?

What would make us sell?

Baillie Gifford's bottom up stock selection process looks for durable franchises, well managed companies, aligned management and good valuation. There is no minimum growth hurdle for purchase, and a portfolio typically holds stocks with a variety of growth ranges. Future growth/pre-profitability companies can be bought if they meet the buy criteria.

As a firm, Baillie Gifford will not own more than 15% of a company's outstanding stock. An assessment of management is part of the team's investment strategy, and holding big positions gives them good access to management. An additional liquidity requirement is that a maximum of 15% of the portfolio can be invested in stocks that take more than 10 days to trade in and out of. Approximately 5% of the ACWI ex US Focus portfolio is currently considered less liquid based on this definition.

Baillie Gifford will let its winners run as opposed to adding and trimming on valuation. The ACWI ex US Focus portfolio tends to have a lower weighted average market cap than that of the index. Currency hedging is available to portfolio managers but is not typically employed. Instead currency discussions are incorporated in macro-economic analysis prior to investing.

At the beginning of 2014, SamCERA converted from the EAFE Plus to the ACWI ex US strategy. This change allowed for additional emerging markets exposure. The portfolio has no direct exposure to stocks within frontier markets; however, they do hold some stocks with revenues derived from frontier markets (ex. Nestle).

The portfolio invests in the long term with 50% of the names held for longer than 5 years. This results to an average turnover of 10-20%. Portfolio managers also look for good management and strong earnings growth potential over 5 years. The target active share of the portfolio is 90%.

## Performance & Positioning

As of 4/30/18, SamCERA had outperformed the MSCI ACWI ex-US Index over the 3- year and 5-year periods on a net of fee basis by 1.3% and 0.9% respectively. Since inception, Baillie Gifford has added 70 bps in excess return over the benchmark (SamCERA 8.9% vs. MSCI ACWI ex-US 8.2%).

For a second year in a row, Capita was one of the worst performing stocks attributing 50 bps to the strategies underperformance for the year. Capita is a UK outsourcing company that was expected to start performing after underperforming post Brexit. This didn't develop and the CEO left the company; as a result Baillie Gifford completely liquidated the position in Q1 2018. Baillie Gifford has been decreasing its overweight to consumer staples down from an 8% to 5% overweight. They are also adding positions in the information technology as they are finding attractive new companies in this sector. Recent purchases in tech include Spotify, ASML, and Advantest.

## Conclusion

Verus maintains conviction in Baillie Gifford for the international growth mandate. Baillie Gifford is on Verus' approved list and is utilized by multiple clients. The manager is outperforming the MSCI ACWI ex US Index over the 3-year, 5-year, and since inception periods.

Date of meeting: 6/7/2018

Location: SamCERA

Manager Representative(s)

Dan Ryan (Relationship Manager),  
Timothy Atwill (Head of investment Strategy)

Verus Representative(s)

Joseph Abdou

Account Asset:

\$97 mm (Q1 2018)

Client Representative(s)

Doris Ng (Investment Analyst), Lilibeth Dames (Investment Analyst)

## Product Description

Parametric utilizes a structured, rules-based approach, which they believe is capable of generating enhanced returns with lower volatility compared to both traditional active management and passive capitalization weighted indices. The basic idea is to structure the portfolio with more balanced country weights than the market cap weighted indices, and also to capture a rebalancing premium. This provides more diversification and greater exposure to smaller countries than is provided by the market cap weighted indices. The approach is to divide emerging markets countries into size tiers, and to equally weight the countries within each tier. Tier 1 countries are the largest countries that dominate the cap weighted index. Each successive tier is comprised of smaller countries, each of which is given a smaller target weighting in the model portfolio. In aggregate, the eight Tier 1 countries are given a much lower weighting than in the capitalization weighted index, but they nevertheless comprise more than 50% of the portfolio. Tiers 1-3 comprise the Emerging Markets Core strategy that SamCERA is now invested in.

The Emerging Markets Core strategy targets excess return of 3% over a market cycle with 2.5%-4.5% expected tracking error. It is designed to generate a level of volatility 90%-100% of the MSCI EM index. The strategy currently invests in primarily MSCI Emerging Markets countries and will typically hold 700-1100 securities. Turnover is expected to be in the range of 5-15%.

SamCERA switched to the Core version of the Structured Emerging Markets Equity approach, eliminating frontier markets, in July 2015.

## Meeting Notes

### Organization

Over the past year, there haven't been any key personnel changes.

Parametric had \$226 billion under management at the end of Q1 2018, with about \$14 billion in emerging markets strategies. Over the past year, there was \$26 billion gain in firm wide AUM. The Emerging Markets Core strategy gained \$600 million over the year primarily due to rising markets. In all emerging markets strategies Parametric saw around \$450 million in outflows. Two large outflows from the strategies were large state plans. One of which was exiting all active management, and the other changing the manager lineup due to funding ratio goals.

## Investment Team

The Emerging Markets team has had low turnover, with no departures in the past 18 months. There are currently five portfolio managers dedicated to the Emerging Markets Core strategy.

## Investment Strategy

Country weightings are the most significant feature of the investment approach. Parametric maintains the view that country, rather than sector, is the dominant driver of returns in the emerging markets. But the strategy also involves a more equal weighting of sectors at the country level than the benchmark. The benchmark relative constraints on sector weightings are determined by liquidity. Parametric has adjusted its approach to sector weightings as intra-sector liquidity has improved in the emerging markets. They have switched from working with five super-sectors to the standard GICs sector categories. But the objective remains the same: to maintain diversification of sectors with country and reduce concentration at the sector level. Rebalancing is an additional source of return.

Countries are equally-weighted within each of the model tiers. There are four tiers corresponding breaking out the MSCI Emerging Market Index. As a result, the strategy diversifies against holding the larger country names in tier one, and increases allocations to the smaller countries in tiers two through four. The biggest underweight country underweight is currently China and which dominates the index. In 2016, Parametric introduced an enhanced exposure up to two times the model weight to lower tracking error to the index. Currently, China is the only country that has the enhanced exposure, but it is still less than half the weight of the index. The Czech Republic and Hungary were recently added to tier four due to their stabilization and potential diversification.

Vietnam was upgraded from a tier four country to a tier three, which means its target allocation in the portfolio almost doubled to 1.68%. The upgrade was due to better markets liquidity and more robust security selection.

Parametric noted China A shares are increasing to the index (up to 15%) adding to the lack of diversity in the MSCI Emerging Markets Index. Once this occurs China will comprise of upwards of 45-50% of the index. Parametric noted they are not going to increase their allocation to China, so this change will add to the tracking error of the portfolio.

## Performance & Positioning

The portfolio continues to struggle due to its model's underweights to China, South Korea, and information technology. The Fund has about a 7.2% allocation to information technology versus 27.7% for the MSCI Emerging Markets Index. Two-thirds of the underweight can be explained by country level bets (ie. an underweight to South Korea leads to an underweight in information technology.) Over the past year ended 3/31/18, the SamCERA portfolio returned 18.01% net of fees vs. 24.93% for the MSCI Emerging Markets Index. Long-term the strategy also underperformed over the 3-year and since inception (SamCERA's account inception, 3/2012) periods, underperforming by 6% and 1% respectively.

## Conclusion

Parametric has underperformed the MSCI Emerging Markets Index over the 1, 3, 5 and since inception time periods. Stylistic headwinds were the main factors behind the underperformance. While underperformance can be explained by the country and sector diversification, Verus believes SamCERA should review the asset class due to the expected increase in tracking error that will result from the inclusion of China A shares in the MSCI Emerging Markets index.

Date of meeting: 6/14/2018

Location: SamCERA Office

Manager Representative(s)

Jim Brecker (Client Service),  
Steven Dutaut (Sr. Portfolio Manager)

Verus Representative(s)

Joseph Abdou

Account Assets

\$255 mm (Q1 2018)

Client Representative(s)

Scott Hood (CEO), Doris Ng (Investment Analyst),  
Lilibeth Dames (Investment Analyst)

**Product Description**

Mondrian is a value-oriented, defensive manager whose investment philosophy is based on the principle that investments must be evaluated for their fundamental long-term value. The firm's philosophy involves three stated investment objectives: 1) provide a rate of return meaningfully greater than the client's domestic rate of inflation, 2) structure client portfolios that preserve capital during protracted international market declines, and 3) provide portfolio performance that is less volatile than benchmark indices and other international managers. Mondrian applies typical value screening criteria to a universe of 1,500 stocks, from which 500 are selected for more detailed work. Through fundamental research, and the deliberations of the Investment Committee, the universe is further reduced to a list of 150 stocks. The investment team conducts detailed fundamental analysis on the remaining stocks, a process which includes applying the firm's dividend discount model consistently across all markets and industries.

Mondrian also uses a purchasing power parity model to give an accurate currency comparison of the value of the stocks under consideration. The firm will only consider buying stocks in countries with good investor protection practices and relatively simple repatriation procedures. A computer based optimization program is employed in the portfolio construction process. Mondrian's portfolio holds 80-125 issues.

**Meeting Notes****Organization**

Mondrian was founded in 1990 and is 100% employee owned with approximately 80 employee equity holders. As of the end of the first quarter of 2018, the firm was managing approximately \$60 billion including \$5 billion in All Countries World Ex-US Equity. In September of 2016, Mondrian became a PRI signer signaling their commitment to responsible investing. In June 2016, Mondrian decided to pay for outside research and stopped using soft-dollars.

As discussed in our previous review Nigel May, Mondrian's Deputy CEO, decided to retire, and left the firm in Q1 2018. No replacement was planned and his responsibilities were transferred to other individuals at the firm.

In February 2017 Warren Shirvell took over as COO. Warren replaced John Emberson who retired. Warren worked with John since 2001 as Deputy COO.

## Investment Team

There are approximately 56 investment professionals at Mondrian, all located in the London headquarters. The Global Equity Research Forum is overseen by Group CIO Clive Gillmore and CIO of International Equity Elizabeth Desmond. The team of 17 includes four International Equity Senior Portfolio Managers, three International Equity Portfolio Managers, one Assistant Portfolio Manager, and an Investment Analyst. Kim Nguyen (PM) left in August 2017, and Christopher Davis formerly assistant portfolio manager has become a portfolio manager.

## Investment Strategy

Mondrian employs a long-term dividend discount model for all of the firm's equity strategies. The approach focuses on long term dividend growth after inflation. For each company, they conduct a scenario analysis, looking at expected, best and worst case outcomes. These scenarios are modeled based on fundamental research and company meetings. Currency views based on PPP analysis are incorporated into the forecasts. The emphasis is on the downside risk and they prefer a narrow, rather than a broad, range of outcomes. They are looking for at least a 5% real return from owning a stock for the long term and use a 5% discount rate across all markets. They will hedge currencies defensively when the PPP analysis identifies extreme over-valuation. The approach yields a portfolio that will generally preserve value on the downside relative to the market and strives to keep up in rising markets. The risk, as measured by standard deviation, is generally lower than peers and the benchmark.

## Performance & Positioning

For the year ending 3/31/2018 Mondrian underperformed the MSCI ACWI ex US Value Index (12.6% vs 13.3% on a gross of fee basis). Value investors have continued to suffer, as the continued trend of growth stocks being more favorable. An overweight to the Brazilian Real and an underweight to China hurt Mondrian's performance. The emerging markets value index underperformed the broader index by 5%, illustrating the growth rally due to strength of Chinese internet stocks. Stock selection in France (specifically in Sanofi) also led to underperformance. Mondrian continues to believe in the company and has added to its position due to its new product offerings. Mondrian pointed out that the defensive nature of their portfolio will cause underperformance in strong up markets. Over 3, 5 and since inception (12/2004), Mondrian has outperformed the benchmark (MSCI ACWI ex US through 3/2015, and MSCI ACWI ex US Value thereafter) by 50 bps, 90 bps, and 60 bps respectively.

Mondrian has been finding value in UK stocks with low P/E multiples and noted there may be slightly higher turnover due to lots of opportunities in this area.

## Conclusion

Mondrian has outperformed the benchmark long-term and we maintain strong conviction in them due to their defensive approach. Verus clients have used Mondrian for All Country World ex-U.S. mandates for multiple years with successful long-term results.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

July 24, 2018

Agenda Item 6.5

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer

*Michael R. Coultrip*

**SUBJECT:** Educational Presentation on Low Volatility Equity

**Recommendation**

Review the educational report on low volatility equity and provide direction to staff as needed.

**Background**

In May, the Board approved an updated target asset allocation policy as part of the annual asset allocation review. One of the changes in the new policy is utilizing low volatility equity as a way to dampen expected portfolio volatility.

**Discussion**

Margaret Jadallah and Stephen Quirk from Verus will present this agenda item. They will discuss the evolution of factor investing, the academic underpinnings of the volatility anomaly, the persistency of the low volatility factor, and the various ways to implement a low volatility approach.

**Attachment**

Verus Low Volatility Equity Presentation



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



JULY 2018

Low Volatility Educational Presentation

**SamCERA**



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# Introduction

# Evolution of factor investing

SUPPORTED BY ACADEMIC RESEARCH AND BEHAVIORAL FINANCE

## The Evolution of Factor Investing



CAPM: Stock returns are driven by exposure to the market factor (beta) and company-specific drivers



Fama and French account for additional factors: size and style



Research proves the case for multiple factors as components of stock returns and risk

# Academic underpinnings

- The development of many strategies have roots in academic research dating back to the concepts of mean-variance optimization and the Capital Asset Pricing Model (“CAPM”) developed in the 1960’s.
  - CAPM theory is that every stock has some level of sensitivity to the movement of the broader market measured as Beta.
  - CAPM was, in essence, the first “factor” with market exposure, or Beta, measuring the risk and return of a stock.
- Arbitrage Pricing Theory (APT), introduced in 1976, suggested a multi-factor approach as a model for explaining stock returns.
- In 1992, Eugene Fama and Kenneth French expanded CAPM to include size risk and value risk to explain differences in portfolio returns.
- In the most recent decade, there has been a preponderance of academic research on additional risk premia factors, including momentum, quality and volatility.

# Low volatility

- Low volatility stock funds achieve a lower beta compared to broad indices through a variety of implementations.
- Low volatility investments perform best when markets decline and experience higher volatility, given that lower risk stocks perform better in down markets.
- There is a low volatility anomaly - portfolios of low volatility assets within each asset class tend to offer higher long-term returns than lower volatility assets in the asset class.
  - The volatility factor contradicts the conventional CAPM hypothesis that higher risk investments as measured by standard deviation should result in higher expected return.
  - This may reflect investors' lottery seeking bias (overpaying with hope of hitting the jackpot) as well as leverage constraints (leverage aversion substituted by high volatility/high beta investments to maximize expected returns).
  - Volatility as a standalone factor can have shared characteristics with quality and value.
- Options-based volatility investing earns an option premium (volatility risk premium or VRP).
  - Selling volatility (selling financial insurance) using equity index options deserves high risk premia because infrequent, large losses (spiking volatility) tend to coincide with market crashes.

# Style rotation within factor indices

HOW FACTOR PERFORMANCE VARIES FROM YEAR TO YEAR

MSCI World single factor index excess returns vs. MSCI World

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Ann. Excess Ret. '01-'17
		Min Vol 9.74																Value 3.48
	Value 11.86	Size 5.97		Value 13.35		Value 10.33				Size 5.94								Size 2.55
	Min Vol 6.29	Momentum 5.08		Size 8.89	Momentum 18.32	Size 1.54	Momentum 10.40	Min Vol 11.03	Size 11.36	Momentum 4.35	Min Vol 12.83			Min Vol 6.43	Min Vol 6.03		Momentum 9.72	Momentum 2.32
	Size 4.94	Value 4.32	Value 22.95	Momentum 6.14	Value 7.27	Min Vol 0.43	Quality 5.76	Quality 2.80	Value 11.11	Quality 0.87	Momentum 9.75		Value 5.24	Quality 1.79	Momentum 4.93	Size 1.32	Size 0.94	Min Vol 1.60
	Quality 3.33	Quality 2.49	Size 16.60	Min Vol 5.29	Size 5.21	Quality 0.17	Value 0.73	Momentum 0.51	Quality 1.41	Min Vol 0.27	Quality 4.90	Size 0.25	Momentum 2.98	Momentum 1.61	Quality 3.50	Value 0.62	Quality 0.83	Quality 1.07
	Momentum -4.04		Momentum -7.69	Quality -0.32	Min Vol -1.79	Momentum -1.33	Size -3.04	Size -1.53	Min Vol -13.56	Value -3.17	Size -4.21	Quality -1.07	Size -0.72	Value -0.95	Size -0.64	Min Vol -0.05	Value -0.24	
		Min Vol -7.93			Quality -2.19		Min Vol -3.51	Value -2.33	Momentum -15.78		Value -6.03	Value -1.55	Quality -0.77	Size -2.00	Value -2.41	Quality -2.46	Min Vol -5.07	
		Quality -8.13										Momentum -1.74	Min Vol -8.07			Momentum -3.33		
												Min Vol -7.77						
	MSCI World Index USD net dividend per calendar year																	
	-16.82	-19.89	33.11	14.72	9.49	20.07	9.04	-40.71	29.99	11.76	-5.54	15.83	26.68	4.94	-0.87	7.51	22.39	

Source: MSCI

# Factor investing

- Individual factors work in different market environments.
- Factor investing, including low volatility investing, targets well established and intuitive sources of return.
- Factor-based approaches offer affordable alpha compared with fundamental active management.
- Fundamental active managers often allocate or “tilt” portfolios to specific factors to generate alpha.
- Factor-based strategies are similar to other active quantitative strategies which seek to provide efficient equity exposure with lower overall fees.
- Potential concerns with factor investing:
  - Unintended or extreme factor exposure
  - Tracking error vs. broad cap-weighted benchmarks
  - Strategies may become crowded trades

# Product persistency



# Low volatility product persistency analysis

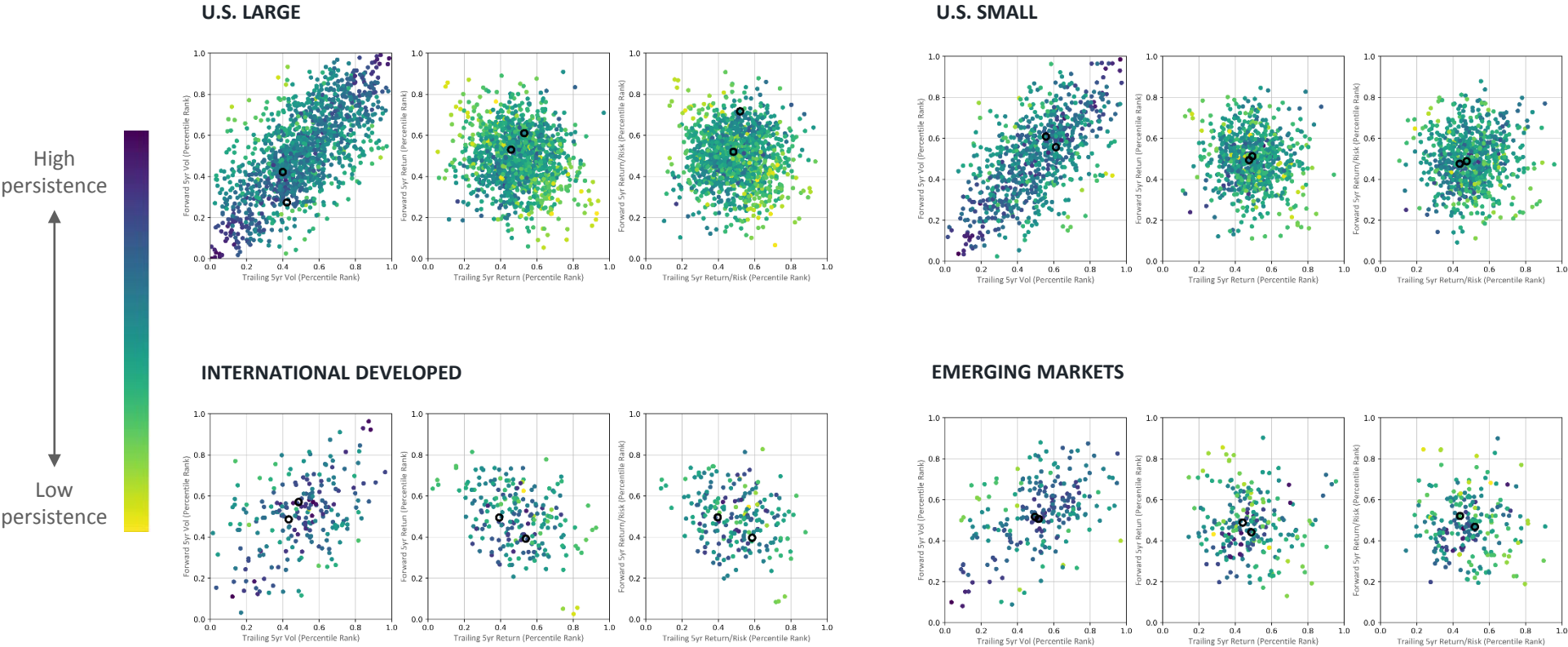
In Verus' annual active management study, we expanded our analysis to work towards a deeper understanding of universe characteristics, and of the active products within each universe. To further adopt this research into our views on active management, we sought answers to the following questions related to **product persistency**:

- Do active products show persistency in terms of risk?
- Do active products show persistency in terms of return?
- Do active products show persistency in terms of **risk-adjusted return**?

These questions have implications for manager selection, the risk/return tradeoffs of broad universes, and the ideal degree of diversification across products within asset classes.

# Equities – Summary

Volatility is persistent across each universe

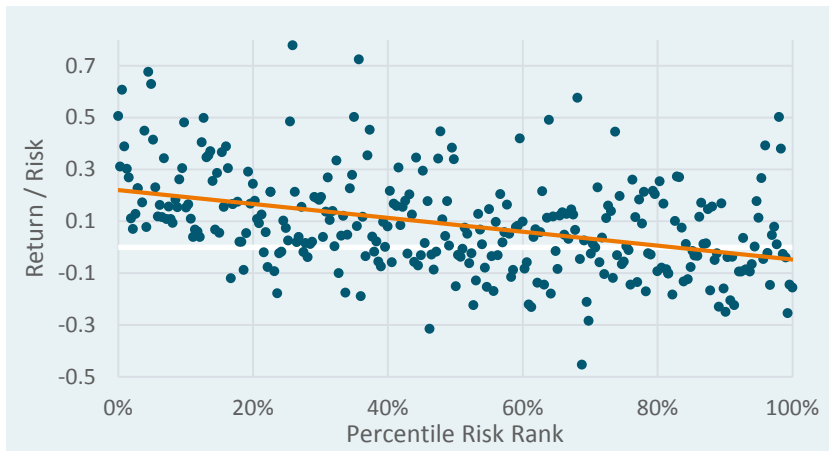


Source: eVestment, Verus, as of 9/30/17

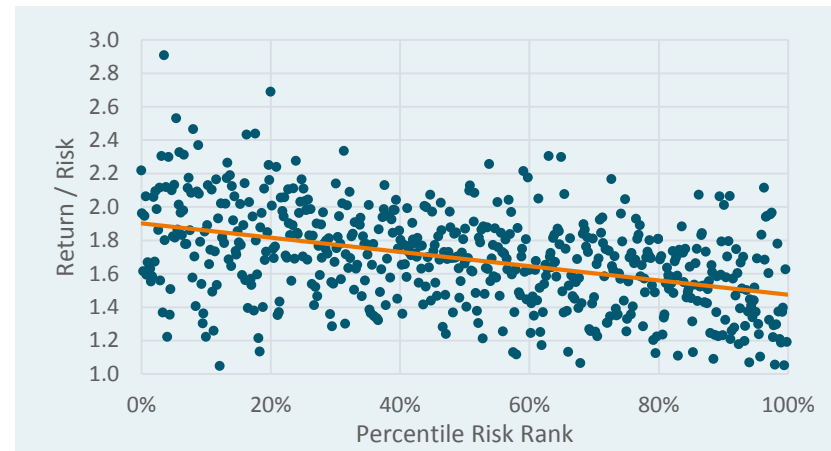
# U.S. large cap

Lower volatility managers have provided higher risk-adjusted performance

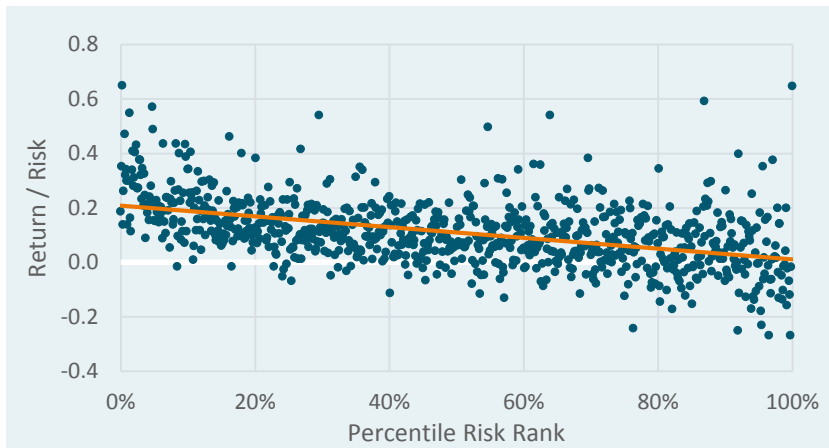
U.S. LARGE 1997-2002



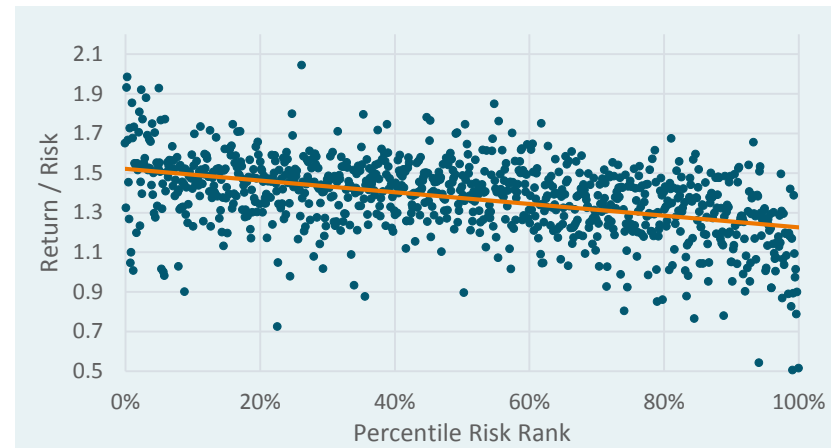
U.S. LARGE 2002-2007



U.S. LARGE 2007-2012



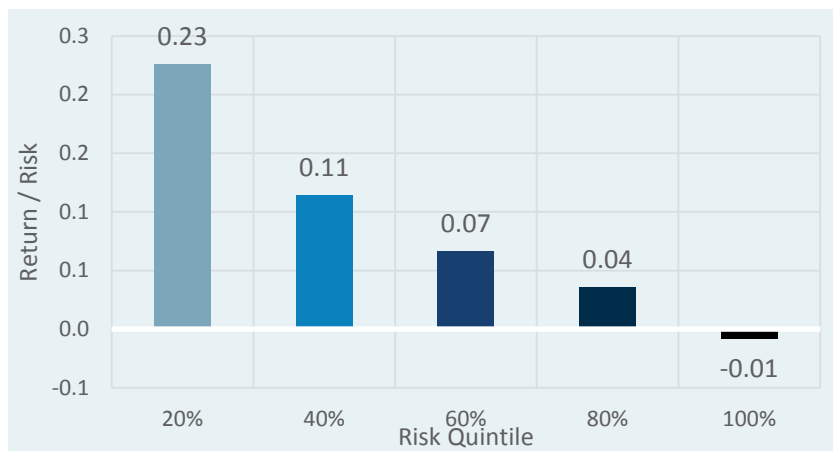
U.S. LARGE 2012-2017



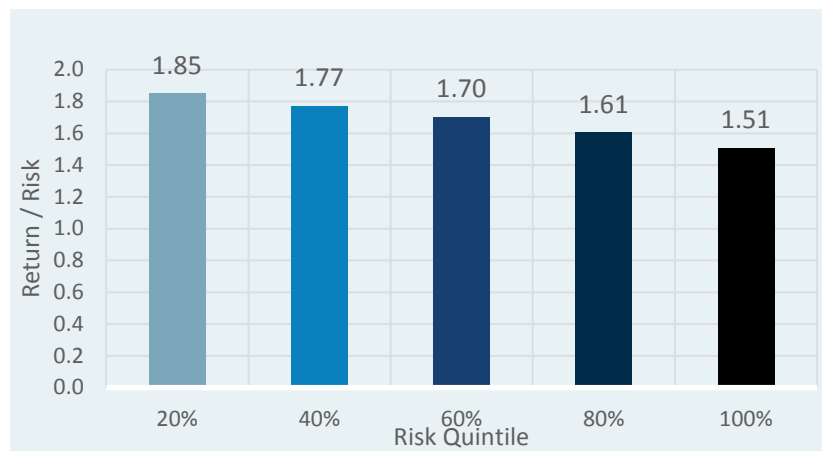
Source: eVestment, Verus, as of 9/30/17 – Full universe included in charts

# U.S. large cap (con't)

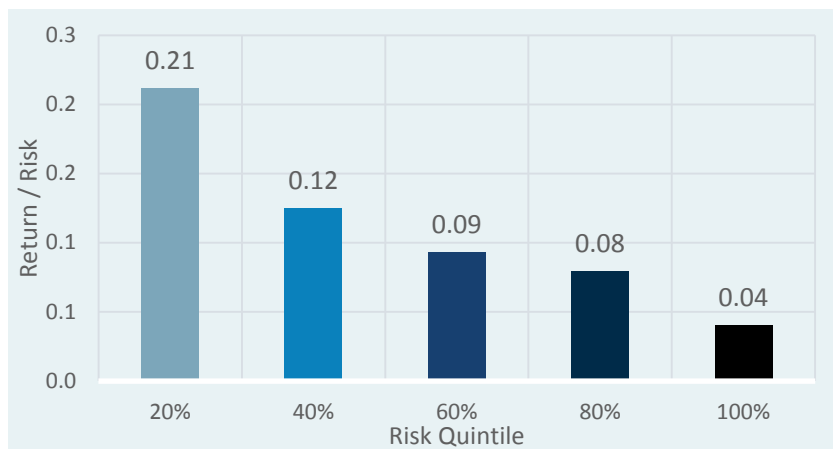
U.S. LARGE 1997-2002



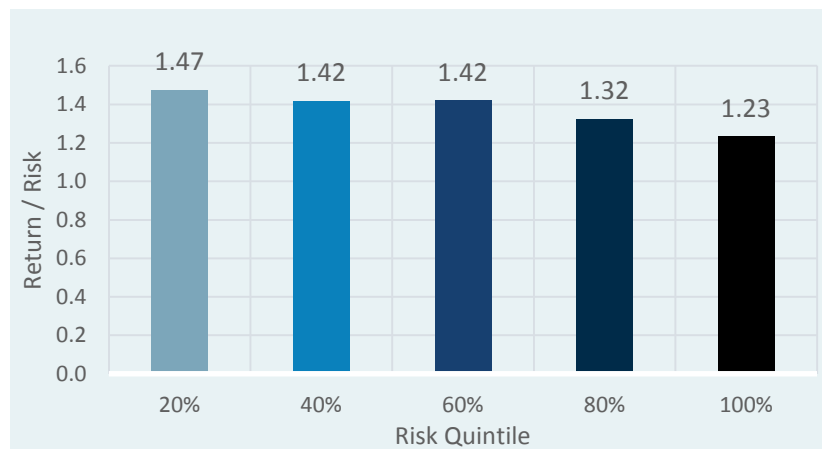
U.S. LARGE 2002-2007



U.S. LARGE 2007-2012



U.S. LARGE 2012-2017

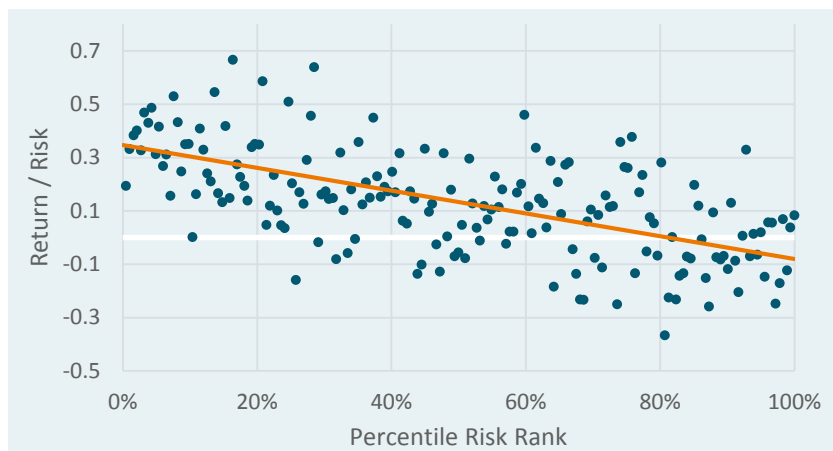


Source: eVestment, Verus, as of 9/30/17 – Full universe included in charts

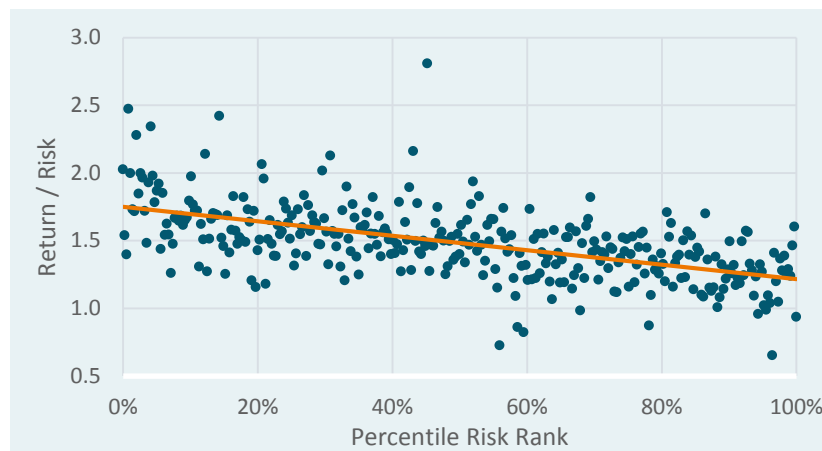
# U.S. small cap

Lower volatility managers have provided higher risk-adjusted performance

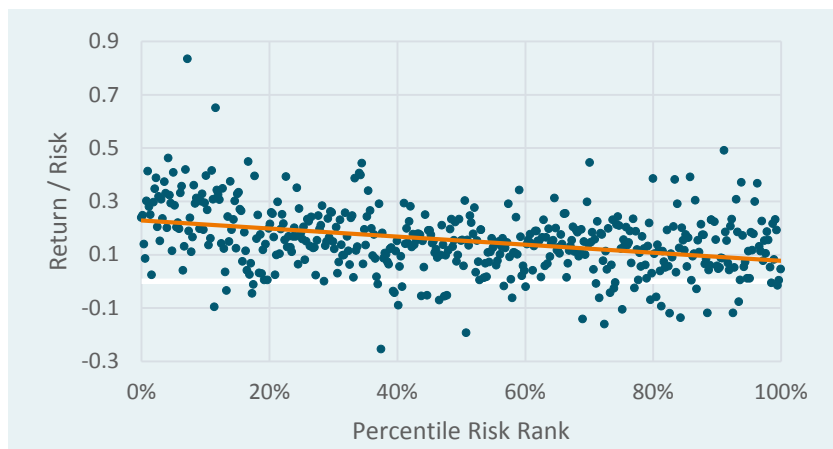
U.S. SMALL 1997-2002



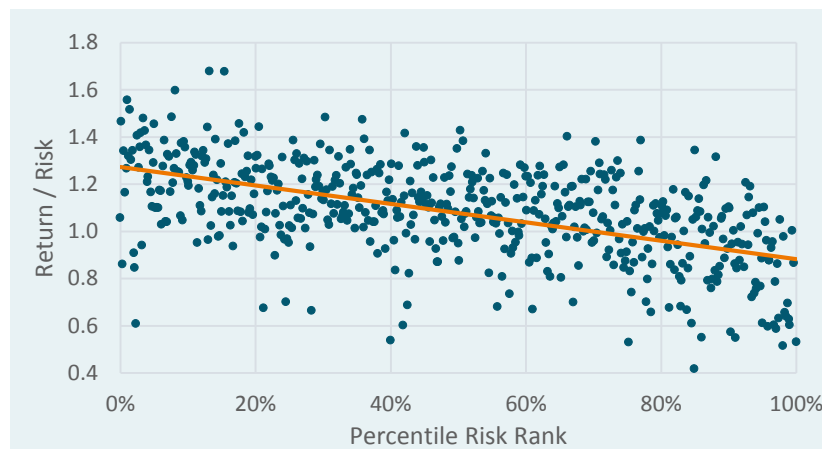
U.S. SMALL 2002-2007



U.S. SMALL 2007-2012



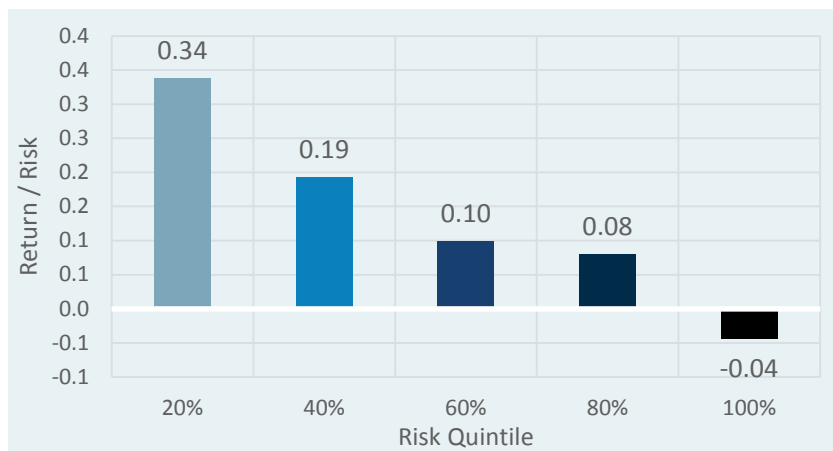
U.S. SMALL 2012-2017



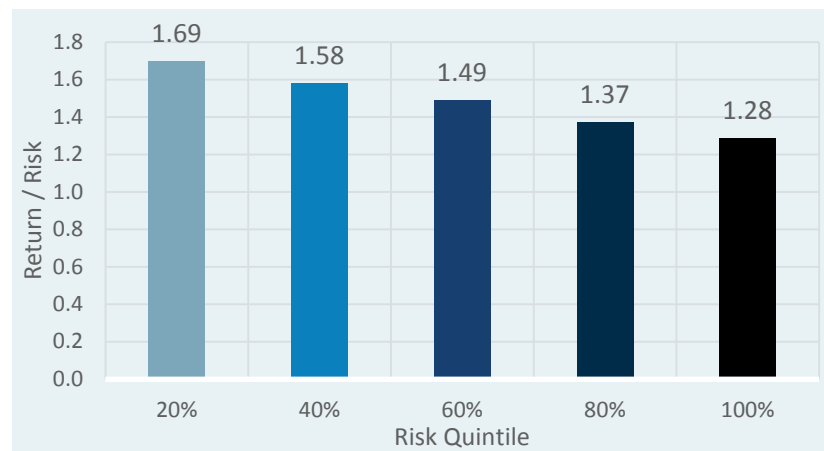
Source: eVestment, Verus, as of 9/30/17 – Full universe included in charts

# U.S. small cap (con't)

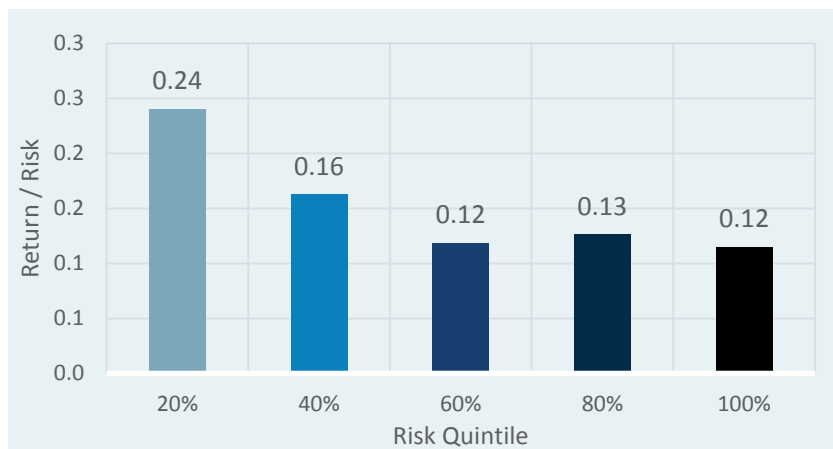
U.S. SMALL 1997-2002



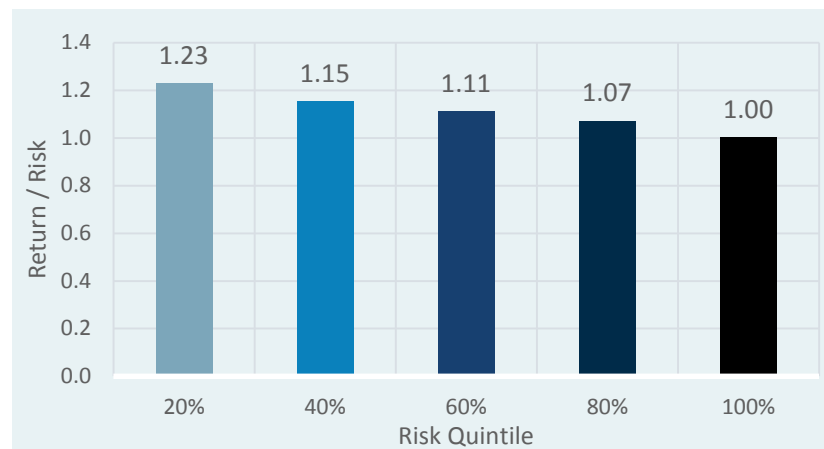
U.S. SMALL 2002-2007



U.S. SMALL 2007-2012



U.S. SMALL 2012-2017



Source: eVestment, Verus, as of 9/30/17 – Full universe included in charts

# Implementation

# Low volatility strategies

Index Funds – There are a variety of available index funds and ETFs which incorporate low volatility into their fund management

Lowering Beta – Reducing equity by 20% to reduce the beta of the portfolio to 0.80, thereby changing the strategic asset allocation. For example, if you have a 10% equity allocation with a beta of 1, reduce the allocation to 8%.

Options-based – Volatility risk premium (VRP) strategies take advantage of option spreads, which over time adds to the potential alpha of the strategy.

Quantitative approaches – Quant managers have models available to purchase a portfolio of securities with low volatility, while trying to achieve a higher risk-adjusted return.

Active managed low vol strategies – A manager that attempts to provide alpha using a portfolio with less volatility either through stock selection or portfolio constructions and often as a residual of their approach.



# Low Volatility – Index Funds/ Lowering Beta

## Index Funds

- Tracks a low volatility index (ex., MSCI Russell 1000 Low Volatility Index, S&P 500 Low Volatility Index)
- Lowest fees
- Passive approach

## Lowering Beta

- Reduce the beta of an equity portfolio by selling a portion of the equity portfolio
- Increases cash available for other investments/asset classes.

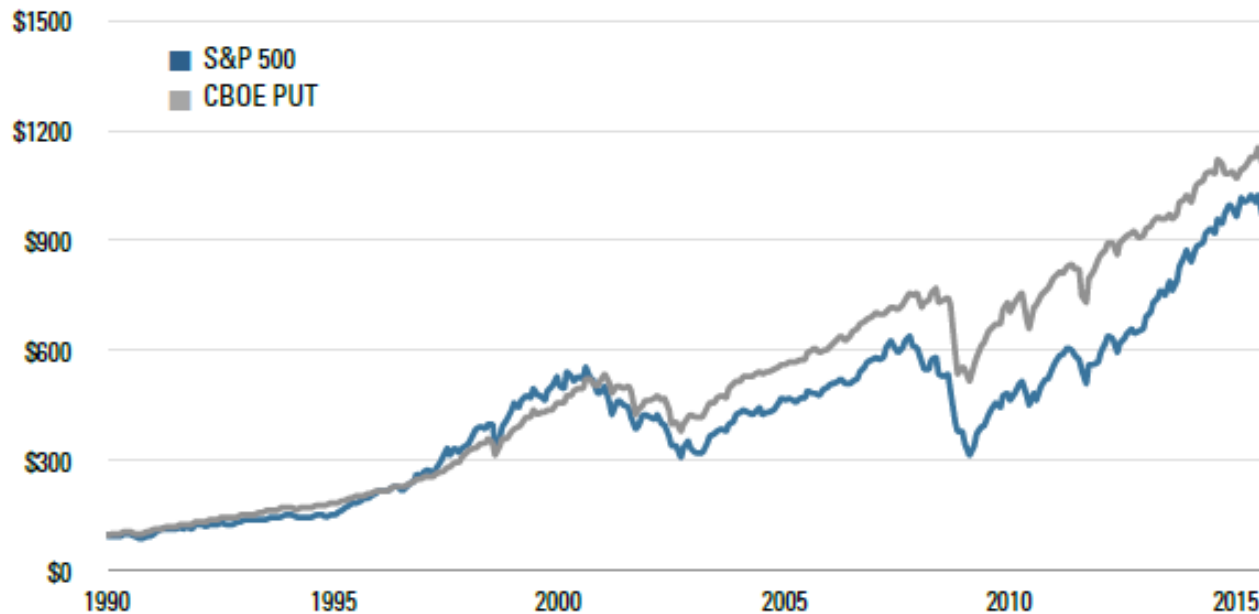
# Low Volatility – Volatility Risk Premium

- The implied volatility from stock options is usually larger than the historic volatility of the underlying vehicle; actual volatility is usually less.
- The theory behind the volatility risk premium (VRP) is that investors strongly dislike negative returns and high volatility on equities and will pay a premium for insurance offered by options.
- VRP is compensation to option sellers for the risk of losses during periods where volatility suddenly increases

# CBOE PutWrite Index (PUT) vs. S&P 500 Index

Selling Insurance via Put Options  
(1 Month ATM against S&P 500, fully collateralized)

## ACCUMULATED VALUE



	S&P 500	PUT
Annualized Return (Geometric)	9.2%	9.8%
Volatility	14.6%	9.9%
Sharpe Ratio	0.48	0.70
Beta	1.00	0.56
Skewness	-0.61	-1.92
Max Drawdown	-51.0%	-32.7%
Max DD Start	10/1/07	5/1/08
Max DD End	2/1/09	2/1/09

Sources: Acadian Asset Management LLC, Bloomberg, Kenneth R. French Data Library, Standard & Poor's Financial Services LLC

# Low Volatility – Quantitative Active

- Many quantitative managers have models that incorporate low volatility stocks.
- The volatility factor is one of many factors quantitative managers utilize, others include value, momentum, quality, and size.
- Quantitative managers can adapt their model for single factor (ex., low volatility) or multiple factors (multi-factor portfolio) easily.
- This strategy is more expensive than indexing but less expensive than fundamental active management.
- The universe of quantitative, low volatility approaches is robust.

# Low Volatility – Quantitative

	Traditional cap-weighted Index	Factor-based Investing	Traditional active management
Transparency	High	High	Low
Performance attribution	Simple	Simple	Complex
Turnover and trading costs	Low	Low	Moderate to high
Capacity	High	High	Low to moderate
Fees	Low	Low	Moderate to high
Exposure to style factors	None	Moderate	Moderate
Potential for outperformance	None	Moderate	Moderate to high

# Low Volatility – Fundamental Active Management

- There are some active managers whose stock selection or portfolio construction processes result in low volatility portfolios.
- They have dual objectives:
  - Manage Volatility
  - Produce alpha
- The objectives may be in competition with one another (lowering the volatility of the portfolio can shrink the universe of investable stocks and can limit the upside return potential versus the broad index)
- Fundamental active low volatility approaches include those that are dividend focused, quality focused, those with an emphasis on sustainable, consistent earnings, or that use lower volatility portfolio construction methodologies.
- The universe of fundamental active, low volatility approaches is small. Within this universe, low vol is often a residual of their process.

# SamCERA U.S. manager structure

SamCERA's U.S. manager line up contains two quantitative approaches:

- D.E. Shaw Broad Market Core Alpha Extension (130/30)
  - Utilizes multiple factors, including momentum, value and volatility and incorporates investments that are technical, fundamental and event driven. Focus on short term signals.
- QMA U.S. Small Cap Core Equity
  - Focuses on value, quality, and growth factors. Companies bucketed into growth and value categories and assessed differently.

*While SamCERA currently uses two managers that incorporate factor analysis in their approaches, there are a broad array of quantitative factor approaches such that a new quantitative, low volatility investment can provide diversification to the SamCERA portfolio.*

# Conclusion



# Low Volatility recap

Low volatility strategies are persistent in their low volatility characteristics and have had higher risk-adjusted returns compared to higher volatility peers.

Low volatility portfolios should have lower risk in down markets and capture a portion of up market capture.

Low volatility portfolios can look significantly different from the broad index in their sector composition.

There are numerous low volatility investment options which span across passive, quantitative (single or multi-factor), option-based, and fundamental active strategies.

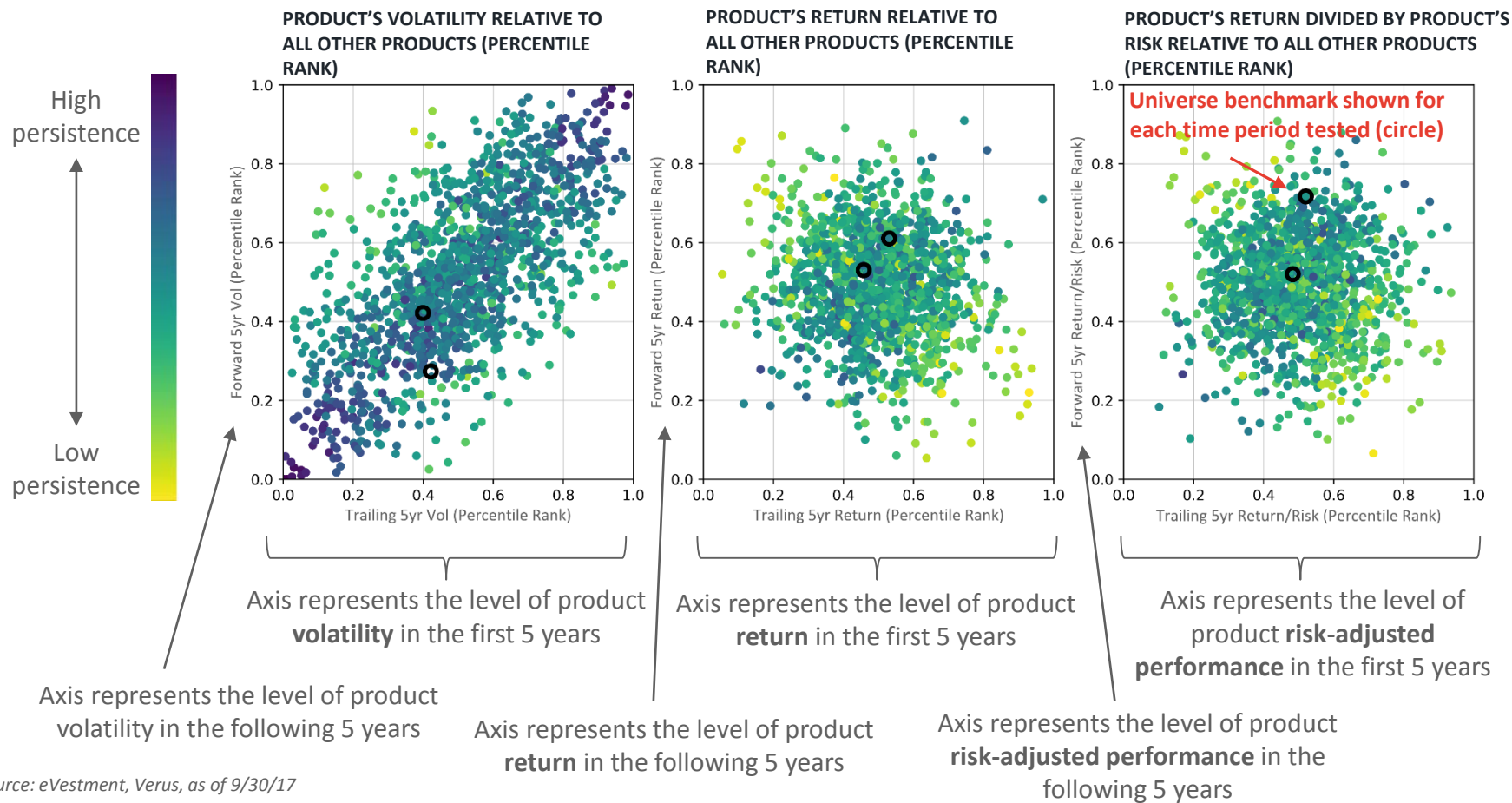
SamCERA currently uses two quantitative managers in its U.S. equity structure who utilize factor investing but do not focus predominantly on low volatility investing.

*Staff and Verus recommend that we initiate a search for a U.S. large cap low volatility manager using a quantitative active or options-based (VRP) approach that is complementary to SamCERA's existing manager structure.*

# Appendix

# How to read product persistency charts

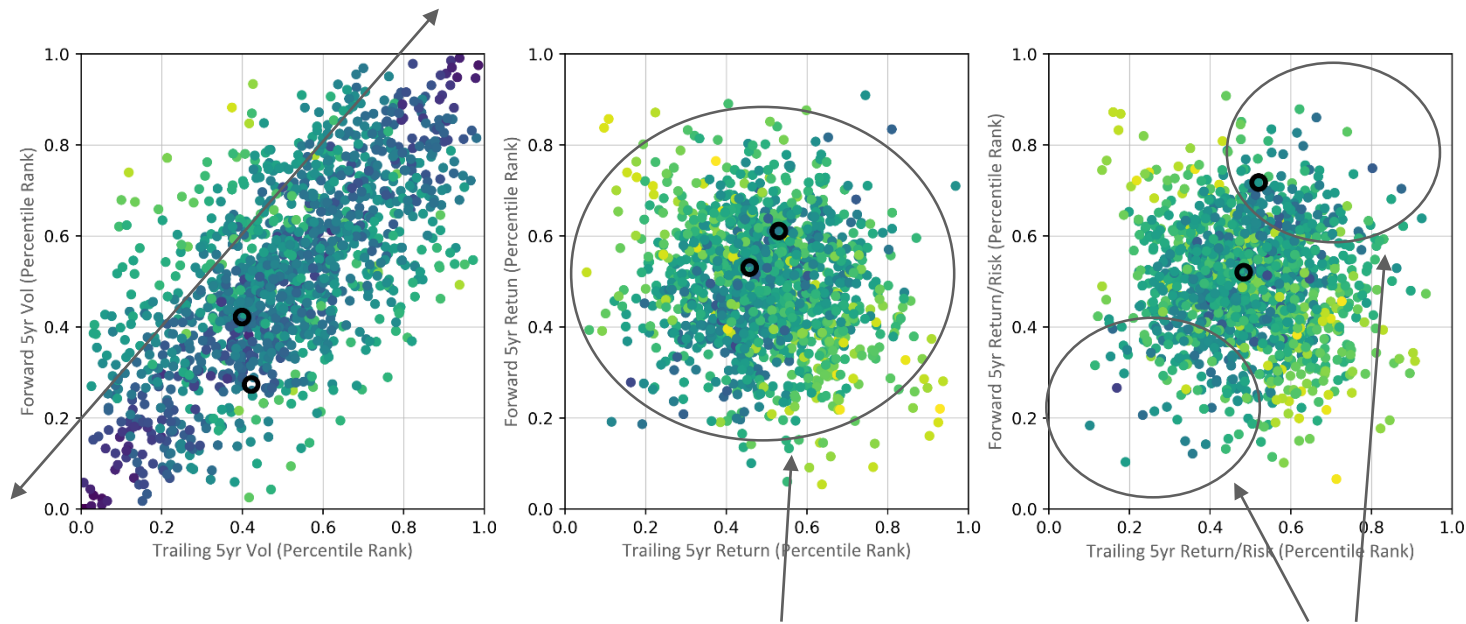
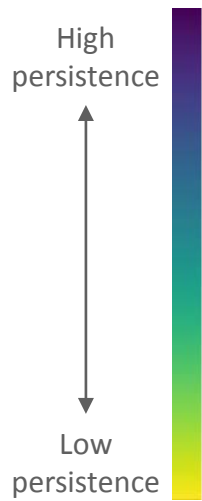
Active products within each universe were tested for persistency in three ways: persistency of volatility (left chart), persistency of return (middle chart), and persistency of risk-adjusted return (right chart). Dots are colored based on their exhibited persistence.



Source: eVestment, Verus, as of 9/30/17

# How to read product persistency charts

A perfect diagonal line of purple dots, with no scatter of products, would mean perfect (100%) persistence. Low or high volatility products would continue to exhibit the exact same low or high relative volatility in the following periods. Low or high returning products would continue to exhibit the same level of relative returns, etc.



A round shape implies very little or no persistency

More products clumped into top right or bottom left implies either persistency of high performers or persistency of low performers

Source: eVestment, Verus, as of 9/30/17

# How to read volatility charts

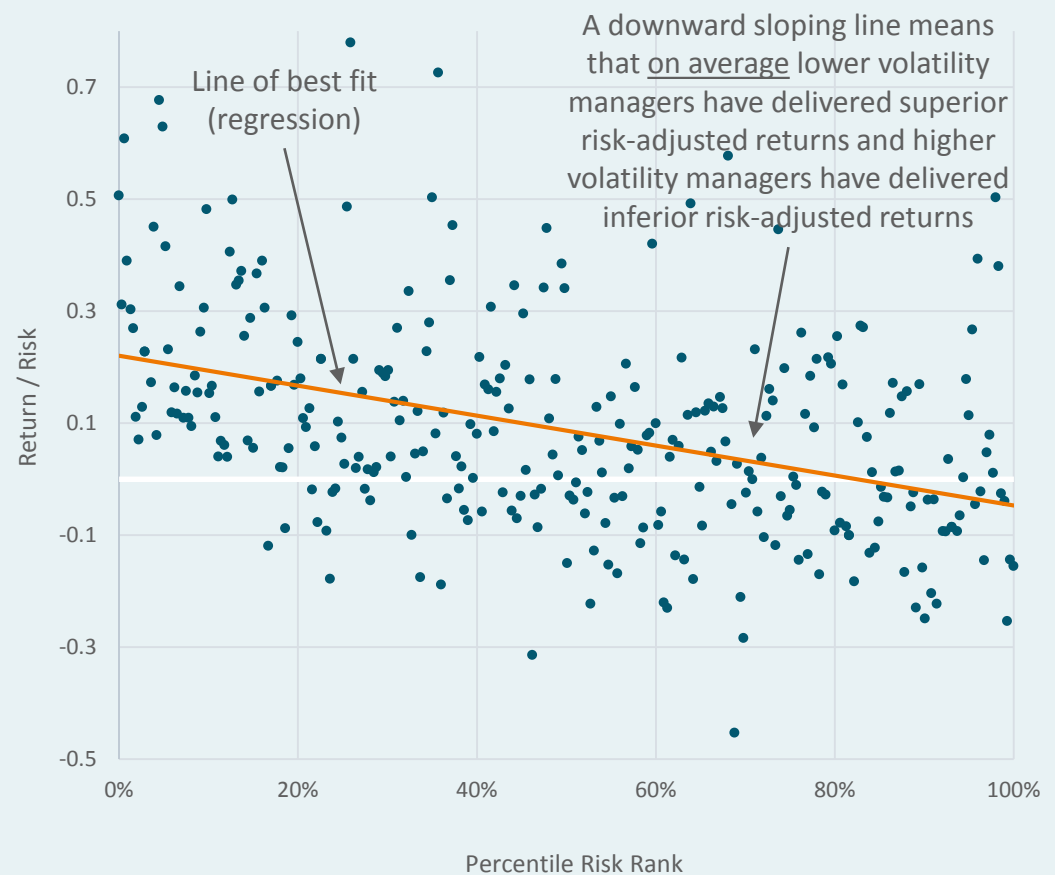
- Each chart represents a 5-year period of time. Based on performance data availability for each asset class, we test as many 5-year periods as possible.
- Each chart includes all active products in the category with a performance track record.

Best risk-adjusted return



Worst risk-adjusted return

U.S. LARGE 1997-2002



Lowest volatility manager



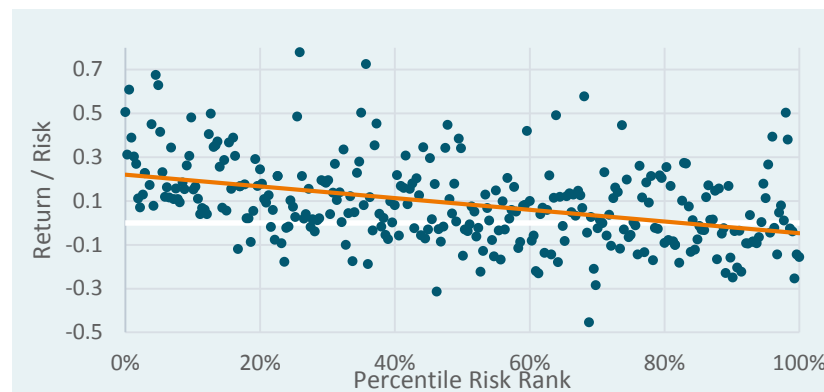
Highest volatility manager

Source: eVestment, Verus, as of 9/30/17

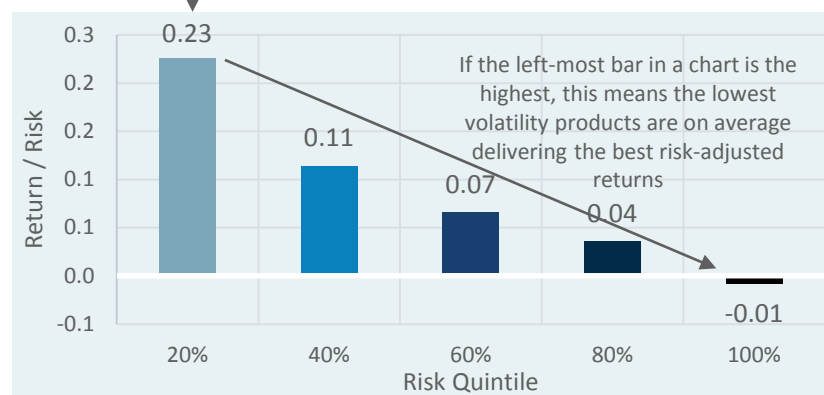
# How to read volatility charts (con't)

- Each chart represents a 5-year period of time. Based on performance data availability for each asset class, we test as many 5-year periods as possible.
- Each chart includes all active products in the category with a performance track record
- Each 20% of active products from the upper chart are grouped into a category to create five categories, ranked from lowest risk to highest volatility in the lower chart. Each category's average return/risk ratio is represented by the height of the bar. There are five categories of active products and five corresponding return/risk ratios – one for each category.

U.S. LARGE 1997-2002



U.S. LARGE 1997-2002



Source: eVestment, Verus, as of 9/30/17

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

July 24, 2018

Agenda Item 7.1

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Board of Retirement Strategic Plan For 2018-2023

**Recommendation**

Approve the Board of Retirement Strategic Plan For 2018-2023 and the new Vision Statement.

**Background**

Each fiscal year, as reflected in Agenda item 7.2, staff presents a staff level Strategic Plan to the Board. This past December, the Board directed staff to initiate a process for the Board to create a "Board Level" Strategic Plan consisting of high level priorities. In March, the Board received a presentation on strategic planning. This presentation was followed by a survey that solicited information from each Board member regarding strategic priorities. In April, the Board received a presentation on the survey results and discussed them. In May, the Board reviewed a draft Strategic Plan and the Board provided direction to staff.

**Discussion**

After receiving the input and direction from the Board, staff has developed a proposed "Vision" statement and a draft version of the Board level Strategic Plan. This plan reflects both the existing long-term goals and the short term "Focus Priorities" for 2018-2023.

There are no recommended changes to the long-term goals. In May, the Board discussed the following areas for it focus on during the next 3-5 years to prepare the Retirement Fund and SamCERA for the current and upcoming challenging and complex economic environment.

1. Balance complexity of the investment program with the expected returns and risks inherent from more traditional stocks and bonds.
2. Prepare for future periods in which contributions into the plan are lower while outflows out of the plan are higher (due to larger number of retirements and longer longevity of retiree life expectancies and lower employer contributions.)
3. Enhance risk management of the investment program, data security and recovery capabilities and financial accounting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

4. Ensure successful recruitment and retention of SamCERA staff and obtain optimal lease for office space in current economic environment.
  
5. Continue to evolve the Board's governance model.

Regarding the Vision statement, the Board having been presented with several statements in May, indicated that it liked the following statement:

"To be sustainable public retirement system through consistent prudent investment and efficient administration of benefits."

The Board will implement its Strategic Plan to carry out SamCERA's Vision, Mission and Goals. The Board and staff will regularly identify and analyze issues to determine if and how they may impact this strategy and whether any response is needed to address them.

**Attachment**

Draft Board of Retirement Strategic Plan 2018-2023



# STRATEGIC PLAN 2018-2023



## THE BOARD OF RETIREMENT

The Board manages the employees' Retirement Fund which is administered in accordance with the law solely for the benefit of the members and retired members of the system and their eligible survivors and beneficiaries. The Board's responsibilities include: (1) setting and acting upon investment objectives and strategies to fund the benefits; and (2) approving the budget, regulations, policies and strategies for administering the system to ensure the prompt delivery of the benefits.

## OUR PLAN

This plan describes the Board's long-term and short-term approach to fulfilling our responsibilities, as trustees of the Fund, for the oversight of the administration of the retirement system. The Board in partnership with the Chief Executive Officer determines SamCERA's long-term guiding vision, mission and goals. The Chief Executive Officer and staff are responsible for their implementation. The focus priorities define the Board's strategic plan over a five year period. The Board may periodically review and update these priorities, as determined appropriate.

## OUR MISSION

SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

## OUR VISION

To be a sustainable public retirement system through consistent prudent investment and efficient administration of benefits.

## OUR GOALS

The Board's defined goals have been established to achieve SamCERA's mission.

Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.

Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

# FOCUS PRIORITIES

Priorities for short-term strategic direction through 2023.

1.

Balance complexity of the investment program with the expected returns and risks inherent from more traditional stocks and bonds.

2.

Prepare for future periods in which contributions into the plan are lower while outflows out of the plan are higher (due to larger number of retirements and longer longevity of retiree life expectancies and lower employer contributions.)

3.

Enhance risk management of the investment program, data security and recovery capabilities and financial accounting.

4.

Ensure successful recruitment and retention of SamCERA staff and obtain optimal lease for office space in current economic environment.

5.

Continue to evolve the Board's governance model.

# STRATEGY MAP

The Board has established five priorities for short-term strategic direction through 2023 which support our Mission, Vision and Goals.



## MISSION

SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

## VISION

To be a sustainable public retirement system through consistent prudent investment and efficient administration of benefits.

## GOALS

Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.

Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

July 24, 2018

Agenda Item 7.2

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Report on Staff Strategic Plan Implementation

**Recommendation**

Receive status report on the implementation two-year Staff Strategic Plan for Fiscal Years 2017-18 and 2018-19.

**Background**

Last July, the Board approved the two-year Strategic Plan (Attachment A). Within the plan there is a matrix that provides details of proposed actions, their timing and status. It utilizes a numbering system with the first two digits identifying the fiscal year the action was initiated and the second number being the sequence identification. For example, item 18-1 was initiated in the fiscal year that ended on 6/30/18. The number "3" is the sequence number.

Attachment "B" is the updated Strategic Plan Dashboard, which shows by quarter year, previously identified items and their projected completion timeframe. These items are carried forward from the previous fiscal year.

**Discussion**

The following is a summary of the Strategic Plan items completed in the last fiscal year:

16-2 Board Agenda Management

Staff has adapted to using SharePoint for Board agenda management. Staff will continue to develop more features with the SharePoint product but will remain open to newer technologies or opportunities that can further streamline the process.

16-4 Records Management

Staff identified vital records that needed to be maintained and organized in a central location for access and developed a procedure to manage those records.

16-11 Fees and Soft Dollar Use

A combination of new regulations (MIFID II – which regulates how money managers in Europe or with clients in Europe, can utilize broker commission to purchase outside research) and changes in SamCERA's manager structure (more passive exposure and less separate accounts) have made soft dollars less important and not a strategic priority. Our

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

separate account managers located in Europe have changed to execution-only pricing for trading and are purchasing outside research from hard dollars and not soft dollars.

17-7 Enhance Investments Onboarding/Staff Procedures Manuals

Staff updated the Investments Procedure manuals in December.

17-8 Provide Employers More Frequent and High-Level Performance Updates

Mike Coultrip developed and distributed a portfolio performance snapshot to employers in December.

18-5 Shared Files Solution

Staff had intended to utilize SharePoint as the repository for data stored on our 'common' drive. After studying the business case for the migration, staff has determined that this will not work appropriately for our current business use at this time. This item will be dropped.

Today, under agenda item 7.1, the Board will be approving its Strategic Plan. After that action has been taken, staff will cross reference the Board's focus priorities in the matrix.

**Attachments**

- A. FY 2017-2019 Strategic Plan
- B. Strategic Plan "Dashboard"





*San Mateo County Employees' Retirement Association*

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# Strategic Plan

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2017-18 UPDATE

## Executive Summary

This is an update of SamCERA's Strategic Plan, which covers the fiscal year 2017-18.

Some projects identified in this plan will extend beyond that time period. The update includes this summary and the Action Plan Matrix, which lists and describes the projects staff will pursue during the year. The steps in the Strategic Planning process leading up to the writing of this report were conducted in a shortened format this year. All staff held a Mini-retreat in May 2017 and reviewed the strengths, weaknesses, opportunities and threats facing SamCERA with respect to the current Strategic Plan and identified new opportunities that developed over the past year. The result of these discussions is the Action Plan Matrix below.

The Action Plan Matrix also includes an estimated completion timeframe for each action item as well as the two categories added in FY 15: (1) "Lead," which identifies the individual responsible for coordinating that particular action item, and (2) "End State," which describes the conditions which must be met before that action item can be considered "done."

Staff will provide periodic status updates to the plan during the year.

During the 2017-18 fiscal year SamCERA will continue to pursue its three major goals, all of which are derived from and consistent with SamCERA's mission statement.

### **SamCERA Mission**

***SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.***

### **Asset Management Goal**

***Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.***

There are no new strategic projects added under this goal for this year however there are carried-over projects from the previous year that will be undertaken including working with IT to develop a streamlined tech solution to track investment manager reporting and to determine whether standardized reporting can be implemented with our private equity managers as a result of AB 2833.

**Customer Services Goal**

***Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.***

Although the implementation of our Pension Administration Software System (PASS) is complete, staff will continue to focus on insuring the system is performing as expected. Staff will resume work on completing the member education program and developing a quarterly investment performance snapshot to provide to employers.

**Operations Goal**

***Constantly improve the effectiveness and efficiency of SamCERA's operations.***

Operationally, SamCERA will continue to focus on the PASS implementation in the post "Go Live" phase. Some related and supporting projects will also be undertaken such as incorporating internal control procedures, insuring redundant connectivity to the new system, undertaking a succession planning strategy and reviewing our General Ledger capabilities.

Each of our three goal has a number of specific projects designed to help achieve it. The projects incorporate ideas generated during all staff

retreats beginning in 2005. The 2017-18 plan is SamCERA's twelfth under the Government Finance Officers' Association (GFOA) Strategic Planning approach. There are now 18 projects for the staff to initiate and/or complete during the 2016-17 fiscal year. There is one project that will extend into the 2018-2019 fiscal year. As SamCERA staff improves upon the strategic planning processes more action items that are strategic in nature will appear on the list and those items that are more tactical in nature will drop off when completed. The net result will be that fewer items will appear in on the strategic plan. That said, the count of 19 strategic items broadly understates the tasks ahead for the staff during the next few years.

During the previous plan year, the staff completed 6 projects. Projects that were not completed but still relevant are continued on this current plan. In the previous 11 years, staff has completed a total of 216 projects, all over and above their regular duties.

2016-17 Action Plan Matrix

Ranking: A=Must be started and/or completed in FY. B=Should be completed in FY. C=Should be started in FY.

ID#	GOAL	RANK	TOPIC	PLANNED ACTIONS	DIVISIONS INVOLVED	LEAD	TIMING / STATUS	END STATE
14-3	Ops.	A	SamCERA must be prepared to react to all types of emergencies that might affect the ability of the association to fulfill its responsibilities.	<p>Staff will:            Create a committee to meet every two months to review and recommend steps to improve safety and emergency preparedness.            Annually review and update the Safety and Emergency Plans.            Continue to hold table-top exercises at Staff Meetings.            Document the technology emergency plan (for PensionGold, backups, etc.)            Document the retiree payroll plan (PensionGold, moving funds, creating and sending files).            Keep the emergency contacts information up to date.</p> <p>Committee to develop task list/milestones for coming year.</p>	Admin./All Divisions	Tariq	2 <sup>nd</sup> Quarter, FY 17-18	SamCERA is prepared to respond to emergencies.
14-14	Cust. Serv.	B	Member education is a key to successful retirement planning and the most effective use of SamCERA benefits. Many members are without financial management knowledge. We should provide different types of education to members.	Continue strengthening member education programs. Include: Regular attendance at training/meetings of payroll clerks, use of website and advices to notify members of new information, update of the Survivor Handbook, use of more focus groups for publications, web site, etc.	Ben./Comm.	Gladys	1 <sup>st</sup> Quarter, FY 17-18	Develop Member Education Master Plan.

ID#	GOAL	RANK	TOPIC	PLANNED ACTIONS	DIVISIONS INVOLVED	LEAD	TIMING / STATUS	END STATE
15-1	Ops.	A	No offsite disaster recovery location for critical technology.	Develop Plan.	IT	Tariq	2 <sup>nd</sup> Quarter, FY 17-18	Thorough disaster recovery plan for critical infrastructure technology is operational at another site.
16-2	Ops	A	Board Agenda Management.	Implement Board agenda management software.	Admin/IT	Tariq/Gladys	2 <sup>nd</sup> Quarter, FY 17-18	Agenda management software implemented.
16-3	Ops	B	Develop Resource Management Plan.	Coordinate and synchronize planning for staffing, space and budget. Discuss during staff retreat in January.	Fin/Admin	Gladys	2 <sup>nd</sup> Quarter, FY 17-18	Resource Management plan implemented.
16-4	Ops	C	Enterprise wide records management.	Explore options to organize the various types of records maintained by SamCERA.	Admin/IT	Gladys	1 <sup>st</sup> Quarter, FY 17-18	Develop approach to organize administrative records.
16-11	Asset Mgmt.	A	Evaluate performance fee arrangement and the use of soft dollars.	Review current performance fee arrangements and the use of soft dollars and explore options available to improve the arrangement.	Inv.	Mike	2 <sup>nd</sup> Quarter, FY 17-18	Implement a process which considers fees and the use of soft dollars.
16-12	Ops	B	Our Internal Control procedures should be reviewed to insure they are appropriate for the changes in personnel and organizational structure.	Review internal control policies.	Fin	Tat-ling	3 <sup>rd</sup> Quarter, FY 17-18	Internal control policies are reviewed and recommendations are implemented.

ID#	GOAL	RANK	TOPIC	PLANNED ACTIONS	DIVISIONS INVOLVED	LEAD	TIMING / STATUS	END STATE
17-3	Ops	C	Social Media Policy.	Develop a policy and procedure for SamCERA's use of social media.	Admin/Comm	Tariq	2 <sup>nd</sup> Quarter, FY 17-18	Effective social media policy implemented.
17-4	Asset Mgmt.	C	Tech Solution for Investments.	Develop a technology solution to assist investment staff in the receipt and tracking of investment manager reporting. Explore the use of Sharepoint as a repository and granting of access to investment managers to deposit reports on an ongoing basis.	IT/Inv.	Tariq/Mike	4 <sup>th</sup> Quarter, FY 17-18	Implement a program to track investment manager reporting.
17-5	Asset Mgmt.	B	Enhanced Risk Analysis.	Perform a cost/benefit analysis to determine if it makes sense to add a risk system in our investment strategy.	Inv.	Mike	4 <sup>th</sup> Quarter, FY 17-18	Risk System options are studied and evaluated.
17-7	Asset Mgmt.	B	Enhance Investments Onboarding/Staff Procedure Manuals.	Update and maintain investment staff procedure manuals.	Inv.	Mike	1 <sup>st</sup> Quarter, FY 17-18	Proxy voting policy and procedures are reviewed and recommended changes, if any, are implemented.
17-8	Cust. Serv.	A	Provide Employers More Frequent and High-Level Performance Updates.	Develop a quarterly one-page portfolio snapshot that can provide employers high-level performance data of SamCERA's investment portfolio.	Inv.	Mike	1 <sup>st</sup> Quarter, FY 17-18	Employers are provided a useful portfolio performance snapshot.
17-9	Asset Mgmt.	A	Standardize Private Equity Reporting.	Determine if standardized private equity reporting can be required from our private equity investment managers.	Inv.	Mike	3 <sup>rd</sup> Quarter, FY 17-18	Research is completed on whether private equity managers can be required to report in a standardized manner.

ID#	GOAL	RANK	TOPIC	PLANNED ACTIONS	DIVISIONS INVOLVED	LEAD	TIMING / STATUS	END STATE
18-1	Admin.	C	SamCERA's Lease Expires 12/31/19	Research relocation options; conduct cost benefit analysis	Admin	Gladys	4 <sup>th</sup> Quarter, FY 18-19	SamCERA Secures a long-term office space solution.
18-2	Ops.	A	Redundant connection to V3 if VPN goes down	Develop an alternative plan to connect directly to V3.	IT	Tariq	2 <sup>nd</sup> Quarter, FY 17-18	SamCERA can maintain connectivity to V3 production if county VPN goes down.
18-3	Admin.	B	Risk of losing Institutional Knowledge	Develop Succession Plan linked to individuals.	Admin	Gladys	4 <sup>th</sup> Quarter, FY 17-18	Prepared to handle departure of staff.
18-4	Ops.	A	Great Plains is not meeting the evolving needs of SamCERA	Find and implement a suitable replacement	IT/Fin	Tariq/Tat-Ling	2 <sup>nd</sup> Quarter, FY 17-18	Have a GL product that meets SamCERA's needs.
18-5	Ops.	A	Migrate Common Drive to Sharepoint	Develop the business case and approach	IT/Admin	Tariq/Gladys	2 <sup>nd</sup> Quarter, FY 17-18	Common Drive is no longer the storage area for new files.
18-6	Asset Mgmt.	A	Protect against an equity draw down event	Develop a portfolio mix that can perform better in an equity draw down event	Inv.	Mike	4 <sup>th</sup> Quarter, FY 17-18	Portfolio can better withstand an equity drawdown event.

# Strategic Plan Dashboard

Project Lead ↓	ITEM	TIMING							
		FY 2018-19				FY 2019-20			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GS	<b>14-3</b> Responding to emergencies		X						
GS	<b>14-14</b> Member Education	X							
TA	<b>15-1</b> Offsite disaster recovery		X						
GS	<b>16-3</b> Resource Management Plan		X						
TC	<b>16-12</b> Internal Controls			X					
GS	<b>17-3</b> Social Media Policy	X							
TA/ MC	<b>17-4</b> Tech Solution for Investment Info	X							
MC	<b>17-5</b> Enhanced Risk Analysis		X						
MC	<b>17-9</b> Standardize Private Eq Reporting		X						
GS	<b>18-1</b> SamCERA Office Space				X				
TA	<b>18-2</b> Redundant Connection to V3	X							
GS	<b>18-3</b> Retain Institutional Knowledge		X						
TA/ TC	<b>18-4</b> Improve GL Capability			X					
MC	<b>18-6</b> Equity Drawdown Solution	X							

↑  
 14-series were developed for FY 2013-14.  
 15-series were developed for FY 2014-15.  
 16-series were developed for FY 2015-16.  
 17-series were developed for FY 2016-17.  
 18-series were developed for FY 2017-18.

as of 7/24/2018



X = completion date

X = projected completion date  
(ongoing project)



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

July 24, 2018

Agenda Item 7.3

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer



**SUBJECT:** Trustee Request to Attend an Education Conference Not on Approved List

**Recommendation**

Consider the request of Susan Lee to attend the Public Funds Forum in Laguna Beach.

**Event Summary**

Pre-approved Educational Program	No
Attendance Exceeds Over 2 overnight trips?	No
Event Name	Public Funds Forum
Location	Laguna Beach, CA
Length of Education Program	1.5 days plus keynote speaker
Registration Cost	\$895
Air Fare (Estimate)	\$108
Transportation (to/from hotel)	\$150
Hotel Cost (Sept 5 & 6)	\$350 (per night plus taxes); \$700 total
Total Estimated Cost For -excludes certain meals, other transport, etc.	\$1,853 total

**Background**

Government Code §31522.8 requires each Trustee to receive at least 24 hours of education within two years of joining the Board and every subsequent two-year period. The Board's Education Policy (Policy) was recently amended to reflect the following core principles identified by the Ad Hoc Education Committee:

- Fiduciary: education must be consistent with our fiduciary responsibilities.
- Prudent: Exercising good judgment /decision making; understanding that the Board is entrusted with the Retirement Fund.
- Relevant: education must be relevant to our responsibilities and to our individual experience and background.
- Focus: the training/conference should focus on education not marketing.
- Cost Effective: We need to apply the same discipline to Board travel/education as we do to all SamCERA expenses.
- Optics/Perception: Location and perception of luxury are important.

The Policy provides that Trustee education be obtained in a cost-efficient manner minimizing costs wherever possible. Every Trustee is authorized to attend conferences

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

and education programs sponsored by the State Association of County Retirement Systems (SACRS) and the California Association of Public Retirement Systems (CALAPRS). In addition, every Board member is authorized to attend up to two approved out-of-Bay Area educational events requiring overnight stays per fiscal year. The approved educational programs are:

- (1) International Foundation of Employee Benefit Plans (IFEBP)
- (2) Wharton investment management programs
- (3) Chartered Financial Analyst (CFA) Institute
- (4) National Conference on Public Employee Retirement Systems (NCPER)
- (5) Institutional Limited Partner Association (ILPA) Institute (Educational Programs)

**Discussion**

The Policy also reflect the Committee’s opinion that approval for attendance of educational events outside the scope of the Education Policy should have a very high bar. The amended Policy reads as follows:

**D. Special Request to Attend Education Event.**

In considering each request to attend a specified educational activity that is not authorized in Section 2B, the Board will consider if the overnight travel is appropriate and consistent with the intent of this policy and shall consider items such as:

- 1) Are the conference topics of current interest and importance and related to issues facing SamCERA?
- 2) Have reports from previous attendees been favorable regarding the content of the conference and the continuing value of future attendance?
- 3) Will the conference meet the educational needs of the attendee?
- 4) Can similar education be received from an already approved provider or that provider’s on-line resources?
- 5) Does the cost of the event and overnight travel justify the benefits particularly if the conference is out of California?
- 6) How many overnight trips has the Board member attended and/or is planning on attending this fiscal year?

The agenda of the event and the response of Ms. Lee to the above listed questions are attached. The chart below reflects that she has met the required 24 hours of education.

Name	Education Hours Completed	Education Hours Needed	Overnight Conferences attended or scheduled in FY 2018-19
Susan Lee	91.5 hours	0 hours	1 – IFEBP 2018 Annual Conference

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

**Attachments**

- A. Trustees Special Request to Attend Education Event
- B. Public Funds Forum Agenda



Address: 100 Marine Parkway | Suite 125  
Redwood City, CA 94065  
Phone: (650) 599-1234  
Toll-Free: (800) 339-0761  
Fax: (650) 591-1488  
PONY: RET 141  
Web: [www.samcera.org](http://www.samcera.org)  
Email: [samcera@samcera.org](mailto:samcera@samcera.org)

**BOARD OF RETIREMENT TRUSTEE SPECIAL REQUEST TO ATTEND EDUCATION EVENT**

Use this form to request to attend an education activity not authorized in Section 2B of the Education Policy.

Trustee Name: Susan Lee  
Event Title: Public Funds Forum  
Date of Event: Sept. 4-6, 2018  
Event Sponsor: Value Edge Advisors

1.) Are the conference topics of current interest and importance and related to issues facing SamCERA?  
(In addition to your written response, please attach the event agenda.)

Yes, ethics, governance, leadership, protecting the portfolio, emerging issues, global markets, security litigations ...

2.) How will the conference meet your educational needs? (Is the program appropriate for your expertise/experience level, and are the courses addressing subject areas that you need?)

The conference is an intensive three day educational event where trustees from all over the world meet and network. It is a worthwhile forum for exchanging ideas.

3.) Can similar education be received from an already approved provider from section 2B (or SACRS/CALPRS) or that provider's online resources? (If yes, explain why attendance at this conference is necessary. If no, how did you verify this?)  Yes  No

There are similar topics taught at all conferences; however, I believe this conference brings a fresh perspective on issues and has a dynamic range of speakers.

4.) Why does the cost of the event and overnight travel justify the benefits, particularly if the conference is out of California?

This conference is in state & comparable to other  
in state conferences.

5.) Is the event sponsored by marketing companies, investment managers or other potential service providers? (Check the agenda for any sponsors of events, meals, etc.)  Yes  No  Not Sure

6.) How many non-SACRS/CALAPRS events overnight trips have you attended or are you planning to attend this fiscal year? (Please list events.)

I am planning to attend the IFEBP in the fall.

7.) Have reports from previous attendees been favorable regarding the content of the conference and the continuing value of future attendance?  Yes  No  Not Sure

8.) Any other information about the event that the Board should know?

Nothing else at this time.



### SESSIONS AGENDA

TUESDAY, SEPTEMBER 4, 2018

**Check-In and Registration**  
1:00 pm - 4:30 pm

**Opening Remarks**  
4:00 pm - 4:15 pm

**Session 1: The Ethical Leader**  
6:15 pm - 7:15 pm

After a decades-long career in public service, James Comey will share what good, ethical leadership looks like, how it drives sound decisions, and offer a road map for ethical leadership even in the most challenging and uncertain of circumstances. Comey will also shed light upon the thinking behind his own decisions, and share his thoughts on why leaders should be laser-focused on a core set of principles, chief among them truth, transparency, and decency.

**SPEAKER:** James Comey, introduced by Paul J. Geller



**James Comey**

**James Comey**  
**Director**  
**Federal Bureau of Investigation (2013-2017)**

James Comey led the Federal Bureau of Investigation from 2013 to 2017, appointed to the post by President Barack Obama. His tenure was tested by new forces within and outside America's borders. He oversaw the federal response to mass shootings in San Bernardino in December 2015 and at Pulse nightclub in Orlando the following June, at the time the deadliest in the country's history. He also worked to address key leadership, agility, and diversity issues within the Bureau.

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**Paul J. Geller**

**Paul J. Geller**  
**Partner**  
**Robbins Geller Rudman & Dowd LLP**

Paul Geller, Managing Partner of Robbins Geller Rudman & Dowd LLP's Boca Raton, Florida office, is a Founding Partner of the firm, a member of its Executive and Management Committees and head of the firm's Consumer Practice Group. Mr. Geller's 25 years of litigation experience is broad, and he has handled cases in each of the firm's practice areas. Notably, before devoting his practice to the representation of consumers and investors, he defended companies in high-stakes class action litigation, providing him an invaluable perspective. Mr. Geller has tried bench and jury trials on both the plaintiffs' and defendants' sides, and has argued before numerous state, federal and appellate courts throughout the country.

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**Luu Networking Dinner**  
7:15 pm - 10:00 pm

WEDNESDAY, SEPTEMBER 5, 2018

**Breakfast**  
7:00 am - 8:00 am

**Session 2: Risk and Return, Leadership and Governance, in a Volatile World**  
8:00 am - 8:45 am

Visionary investor, business leader and advocate for the advancement of governance, Mac Van Wielingen will explore the critical role of leadership and governance in a time of accelerating and confronting change. Mr. Van Wielingen calls for a deep re-assessment of the role of the board and a re-conceptualization of corporate governance, with profound implications to all who have a stake in the integrity and effectiveness of capital allocation and the management of risk in financial markets.

**SPEAKER:** Mac Van Wielingen



**Mac Van Wielingen**

**Mac Van Wielingen**  
**Founder and Director**  
**ARC Financial Corp.**

Mac Van Wielingen has a unique and extensive base of experience as an entrepreneur, builder of companies, corporate director, and as a self-described "student of business leadership." He is the founder and current director of ARC Financial, the largest private equity manager in Canada focused on the energy sector which has invested in over 180 businesses. Mr. Van Wielingen is the former Chair of the Board of Alberta Investment Management Corporation (AIMCo), where he joined as an original director in 2007, and which today manages over \$100 billion. He is the founder and former Chair of ARC Resources, a leading, publicly listed oil and gas company in Canada's energy sector. While serving as Chairman, ARC Resources was ranked #1 in Brendan Wood International's Shareholder Confidence Index in the Energy and Power Group. Most recently, he co-founded and chairs Viewpoint Investment Partners, an investment management company offering a foundational, global investment alternative for high net-worth families and institutional investors.

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**Session 3: Global Markets Roundup**  
8:45 am - 10:00 am

International experts and experienced asset managers cover the issues facing investors protecting their rights around the world, including international monitoring, foreign recoveries, claims funding for securities traded on non-U.S. exchanges, and third party funding issues.

**SPEAKERS:** David Chun, Magnus Furugard, Deborah Gilshan, FCIS and Sacha Sadan, moderated by Patrick W. Daniels



David Chun

**David Chun**  
Chief Executive Officer and Founder  
Equilar, Inc.

David Chun has led Equilar since its inception and has become one of the most respected and trusted names in the corporate governance industry. Mr. Chun has been recognized as one of the "100 Most Influential Players in Corporate Governance" by the National Association of Corporate Directors (NACD).

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Magnus Furugard

**Magnus Furugard**  
Founder and Chairman of the Board  
GES International

Magnus Furugard is the Founder and Chairman of the Board of GES International. Before joining GES' Board, he stood at the helm of the company as President and Managing Director for 23 years. He now focuses on business and product development as well as strategic consulting to clients.

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Deborah Gilshan, FCIS

**Deborah Gilshan, FCIS**  
ESG Investment Director, Aberdeen Standard Investments  
Founder of The 100% Club & Co-Chair, 30% Club UK Investor Group

Deborah Gilshan has 17.5 years of experience in investment stewardship. Her areas of specialism include corporate governance, executive pay, diversity (with a deep expertise on gender diversity), corporate culture, sustainability and market policy work to protect and improve the rights of shareholders. Ms. Gilshan is a regular commentator and speaker on investment stewardship and her work has featured in the *Financial Times*, the *New York Times*, and other mainstream financial media.

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Sacha Sadan

**Sacha Sadan**  
Director of Corporate Governance  
Legal & General Investment Management

Sacha Sadan is the Director of Corporate Governance and on the Board at Legal & General Investment Management (LGIM), one of the largest asset managers in Europe. In September 2016, he was recognized in the *Financial Times* as one of "The 30 most influential people in the City of London," crediting him as one of the leading architects of 2012's "shareholder spring." At LGIM, Mr. Sadan has overall responsibility for corporate governance areas including Environment Social Governance (ESG). He regularly collaborates with other investors as well as governments and regulators.

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Patrick W. Daniels

**Patrick W. Daniels**  
Partner  
Robbins Geller Rudman & Dowd LLP

Patrick W. Daniels is a founding and managing partner in Robbins Geller Rudman & Dowd LLP's San Diego office. Mr. Daniels is widely recognized as a leading corporate governance and investor advocate. The *Daily Journal*, the leading legal publisher in California, named him one of the 20 most influential lawyers in California under 40 years of age. Additionally, the Yale School of Management's Millstein Center for Corporate Governance and Performance awarded Mr. Daniels its "Rising Star of Corporate Governance" honor for his outstanding leadership in shareholder advocacy and activism.

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**Networking Break**  
10:00 am - 10:15 am

**Session 4: Responsible Investment Bootcamp**  
10:15 am - 11:00 am

Pension funds are facing new responsibilities and opportunities in sustainability and responsible investing. How are leading funds responding to the challenge?

**SPEAKERS:** Kevin Thomas and Ted White, moderated by Nell Minow



Kevin Thomas

**Kevin Thomas**  
Director of Shareholder Engagement  
Shareholder Association for Research & Education (SHARE)

Kevin Thomas is the Director of Shareholder Engagement at the Shareholder Association for Research & Education (SHARE). SHARE is a Canadian leader in responsible investment services, providing shareholder engagement, proxy voting, research and education, and policy advocacy to a growing network of Canadian institutional investors with more than \$22 billion in assets under management.

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Ted White

**Ted White**  
Managing Director  
Legion Partners Asset Management

Ted White is co-founder and a Managing Director of Legion Partners Asset Management. Prior to founding Legion Partners, Mr. White most recently served in various functions with Knight Vinke Asset Management, a European-based activist fund manager.

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Nell Minow



Nell Minow

**Vice Chair  
ValueEdge Advisors**

Nell Minow is Vice Chair of ValueEdge Advisors. She was Co-Founder and Director of GMI Ratings from 2010 to 2014, and was Editor and Co-Founder of its predecessor firm, The Corporate Library, from 2000 to 2010. Prior to co-founding The Corporate Library, Ms. Minow was a Principal of LENS, a \$100 million investment firm that took positions in underperforming companies and used shareholder activism to increase their value.

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**Session 5: Lessons in Leadership**  
11:00 am - 12:00 pm

A seasoned Chief Executive Officer and corporate director discusses best practices for effective leadership, corporate governance, an empowering workplace, and shareowner engagement.

**SPEAKER: Garry Ridge, introduced by Richard A. Bennett**



Garry Ridge

**Garry Ridge  
President, Chief Executive Officer and Director  
WD-40 Company**

As Chief Executive Officer and a member of the board of directors of WD-40 Company, Garry Ridge is responsible for developing and implementing high-level strategies, all operations, and the oversight of all relationships and partnerships for the company.

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Richard A. Bennett

**Richard A. Bennett  
President & Chief Executive Officer  
ValueEdge Advisors**

Richard A. Bennett is President and Chief Executive Officer of ValueEdge Advisors, a firm founded in the summer of 2014 to help institutional investors engage with their portfolio companies. From 2006, Mr. Bennett served as Chief Executive Officer and then Chairman of GMI Ratings and its predecessor, The Corporate Library, a globally recognized investment research firm specializing in corporate governance and ESG with offices in London, New York, San Diego and Portland, Maine.

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**Lunch**  
12:00 pm - 1:00 pm

**Session 6: When Governance Fails**  
1:00 pm - 2:00 pm

**SPEAKER: Andrew S. Fastow, moderated by Peter Crudo**



Andrew S. Fastow

**Andrew S. Fastow  
Former Chief Financial Officer  
Enron Corp.**

Enron's former Chief Financial Officer, Andrew S. Fastow, will make observations about how the ambiguity and complexity of laws and regulations breeds opportunity for problematic decisions. Additionally, he will discuss what questions corporate directors, management, attorneys, fraud examiners and auditors should ask in order to ensure that their institutions not only follow the rules, but uphold the principles behind them.

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Peter Crudo

**Peter Crudo  
Chief Executive Officer  
Gilardi & Co. LLC**

Peter Crudo is the CEO of Gilardi & Co. LLC. In this role, he oversees all aspects of Gilardi's strategic and corporate development. Mr. Crudo also brings a unique perspective to his duties, as he has worked both as an attorney in private practice and as a senior level management member in both private and public technology companies. During his tenure as CEO, Gilardi has served as the claims administrator on some of the largest and most complicated settlements in history, including *Enron*, *AOL Time Warner*, *Household* and *Xerox*.

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**Session 7: Recoveries and Remedies: Protecting Your Portfolio Through Securities Litigation**  
2:00 pm - 3:00 pm

Leading securities lawyers and financial experts discuss how the use of securities litigation by pension funds can improve returns, reduce risk, deter fraud, and reform troubled companies.

**SPEAKERS: Frank Partnoy and Darren J. Robbins**



Frank Partnoy

**Frank Partnoy  
Professor  
U.C. Berkeley School of Law**

Professor Frank Partnoy is a law professor at U.C. Berkeley School of Law. After graduating from Yale Law School, he worked as a derivatives structurer at Morgan Stanley and CS First Boston and wrote *F.I.A.S.C.O.: Blood in the Water on Wall Street*, a best-selling book about his experiences there. He also was a lawyer at Covington & Burling and a law professor for 21 years at the University of San Diego. He has published more than two dozen scholarly articles, and has written numerous pieces for *The Atlantic*, *The New York Times* and the *Financial Times*.

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Darren J. Robbins

**Darren J. Robbins  
Partner  
Robbins Geller Rudman & Dowd LLP**

Darren J. Robbins is a founding partner of Robbins Geller Rudman & Dowd LLP. Over the last two decades, Mr. Robbins has served as lead counsel in more than 100 securities actions and has recovered billions of dollars for injured shareholders. One of the hallmarks of Mr. Robbins' practice has been his focus on corporate governance reform.



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**Session 8: General Counsel's Roundtable**  
3:00 pm - 4:00 pm

From accounting practices and disclosures, to cybersecurity and data privacy, to human resources and employment practices, the role of the fund general counsel/CCO has growing strategic and operational implications to successful fund management. Seasoned fund officers in law and compliance share perspectives on the evolving demands on their jobs in public policy debates, investment mandates, stakeholder relations, securities litigation, and fund governance.

**SPEAKERS:** Michael P. Calabrese, Johnny Tran and Jennifer Zahry, moderated by David B. Wescoe



**Michael P.  
Calabrese**

**Michael P. Calabrese**  
Chief Counsel  
San Bernardino County Employees' Retirement Association (SBCERA)

Michael P. Calabrese joined the San Bernardino County Employees' Retirement Association (SBCERA) as Chief Counsel in December 2013. He is responsible for providing responsible and complex legal support to the Board of Retirement and in-house counsel to SBCERA regarding legal, policy and legislative issues.

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**Johnny Tran**

**Johnny Tran**  
General Counsel and Chief Compliance Officer  
San Diego City Employees' Retirement System (SDCERS)

Johnny Tran is the General Counsel and Chief Compliance Officer for the San Diego City Employees' Retirement System. In those roles, he oversees all legal matters affecting the \$8 billion system and its 20,000 members. He is a regular speaker at conferences related to public pension systems. Previously, Mr. Tran was a civil litigator in private practice.

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**Jennifer Zahry**

**Jennifer Zahry**  
General Counsel  
Kern County Employees' Retirement Association (KCERA)

Jennifer Zahry has been the General Counsel for the Kern County Employees' Retirement Association since 2013. She advises the KCERA staff and Board of Retirement on all issues affecting the plan. As KCERA's first in-house counsel, she has developed processes and provided training to assist in identifying and resolving legal issues.

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**David B. Wescoe**

**David B. Wescoe**  
Chief Executive Officer  
San Diego County Employees Retirement Association (SDCERA)

David Wescoe is an experienced and successful legal, financial, operational and investment professional who has served as General Counsel, Chief Financial Officer and Chief Executive Officer for public and private companies, including Chief Executive Officer of two multi-billion dollar pension plans and one of the country's largest independent broker-dealers.

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**Cocktail Reception**  
6:30 pm - 7:30 pm

**Studio 54 Networking Dinner**  
7:30 pm - 12:00 am

**Breakfast**  
7:00 am - 8:00 am

**Session 9: Best Practices in Fund Governance**  
8:00 am - 9:00 am

Pension fund leaders share innovative insights and information on what works best in fund management and stakeholder accountability.

**SPEAKERS:** Annalisa Barrett, Michael D. Herrera and Michael P. McCauley



**Annalisa Barrett**

**Annalisa Barrett**  
Senior Advisor  
ValueEdge Advisors

Annalisa Barrett is a Clinical Professor of Finance at the University of San Diego's School of Business Administration. She teaches graduate courses in Corporate Governance and undergraduate courses in Financial Management, Financial Statement Analysis, and Personal Finance. Her research interests focus on corporate governance practices, board composition, and director demographics.

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**Michael D.  
Herrera**

**Michael D. Herrera**  
Senior Staff Counsel  
Los Angeles County Employees Retirement Association (LACERA)

Michael D. Herrera joined the Los Angeles County Employees Retirement Association (LACERA) in 1999. As a Senior Staff Counsel, Mr. Herrera serves as a legal advisor to the fund, its Boards, and staff. He also represents the fund in complex litigation and administrative proceedings, and assists in overseeing the fund's global securities litigation program, including evaluation and prosecution of domestic and international securities cases. With over 165 thousand members and \$56 billion in assets under management, LACERA is the largest county retirement system in the United States.

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**Michael P. McCauley**  
Senior Officer, Investment Programs & Governance



**Michael P.  
McCauley**

**State Board of Administration (SBA) of Florida**

Michael McCauley's primary responsibilities include active strategies within corporate governance as well as investment program management for the Florida PRIME™ investment pool and other non-pension investment mandates totaling over \$11 billion. He also is a member of the SBA's Senior Leadership Working Group, responsible for investment and operational oversight across all SBA portfolios.

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**Session 10: The War on Opioids**  
9:00 am - 10:00 am

From scandals in drug pricing to the opioid epidemic to tax inversions, Big Pharma is in the crosshairs of public policy, securities litigation, and shareowner engagement. What is the role of the pension fund?

**SPEAKERS: Meredith Miller, Aelish Marie Baig, Mark J. Dearman and Dr. Anna Lembke, moderated by Paul J. Geller**



**Meredith Miller**

**Meredith Miller**  
**Chief Corporate Governance Officer**  
**UAW Retiree Medical Benefits Trust**

Meredith Miller is the Chief Corporate Governance Officer of the UAW Retiree Medical Benefits Trust ("Trust"). The Trust was established in 2010 as a Voluntary Employee Beneficiary Association (VEBA) to pay the medical benefits for 700,000 UAW retirees. The Trust is the largest non-governmental provider of retiree health in the U.S. and has assets of \$59 billion.

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**Aelish Marie  
Baig**

**Aelish Marie Baig**  
**Partner**  
**Robbins Geller Rudman & Dowd LLP**

Aelish Marie Baig is a partner in Robbins Geller Rudman & Dowd LLP's San Francisco office. She specializes in federal securities and consumer class actions. She focuses primarily on securities fraud litigation on behalf of individual and institutional investors, including state and municipal pension funds, Taft-Hartley funds, and private retirement and investment funds. Baig has litigated a number of cases through jury trial, resulting in multi-million dollar awards and settlements for her clients and has prosecuted securities fraud, consumer and derivative actions obtaining millions of dollars in recoveries against corporations such as Wells Fargo, Verizon, Celera, Pall and Prudential. Ms. Baig is currently litigating the opioid case on behalf of cities and states around the country.

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**Mark J. Dearman**

**Mark J. Dearman**  
**Partner**  
**Robbins Geller Rudman & Dowd LLP**

Mark Dearman is a partner in Robbins Geller Rudman & Dowd LLP's Boca Raton office, where his practice focuses on consumer fraud, securities fraud, mass torts, antitrust, whistleblower and corporate takeover litigation. Mr. Dearman is currently litigating the opioid case on behalf of cities and states around the country. His extensive defense background and trial experience is a unique asset utilized in protecting the rights of those who have been harmed by corporate misconduct.

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**Dr. Anna  
Lembke**

**Dr. Anna Lembke**  
**Associate Professor and Chief of Addiction Medicine**  
**Stanford University School of Medicine**

Dr. Anna Lembke was one of the first in the medical community to sound the alarm regarding opioid overprescribing and the opioid epidemic. In 2016, she published her best-selling book on the prescription drug epidemic, *Drug Dealer, MD: How Doctors Were Duped, Patients Got Hooked, and Why It's So Hard to Stop*, that combines case studies with public policy, cultural anthropology, and neuroscience to explore the complex relationship between doctors and patients around prescribing controlled drugs, the science of addiction, and the barriers to successfully addressing prescription drug misuse and addiction.

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**Paul J. Geller**

**Paul J. Geller**  
**Partner**  
**Robbins Geller Rudman & Dowd LLP**

Paul Geller, Managing Partner of Robbins Geller Rudman & Dowd LLP's Boca Raton, Florida office, is a Founding Partner of the firm, a member of its Executive and Management Committees and head of the firm's Consumer Practice Group. Mr. Geller's 25 years of litigation experience is broad, and he has handled cases in each of the firm's practice areas. Notably, before devoting his practice to the representation of consumers and investors, he defended companies in high-stakes class action litigation, providing him an invaluable perspective. Mr. Geller has tried bench and jury trials on both the plaintiffs' and defendants' sides, and has argued before numerous state, federal and appellate courts throughout the country.

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**Session 11: Emerging Issues in Investing and Governance**  
10:15 am - 11:00 am

Perceptive thinkers and veteran practitioners discuss the changing landscape of pension fund management, investment stewardship, and boardroom practices.

**SPEAKERS: Amy Borrus, Guy Jubb and Andrew Winden, moderated by Richard A. Bennett**



**Amy Borrus**

**Amy Borrus**  
**Deputy Director**  
**Council of Institutional Investors (CII)**

Amy Borrus is Deputy Director of the Council of Institutional Investors (CII), a nonprofit, nonpartisan U.S. association of employee benefit funds, state and local entities charged with investing public assets, foundations and endowments, with combined assets in excess of \$3.5 trillion, that promotes good corporate governance and strong shareholder rights.

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**Guy Jubb**  
**Honorary Professor**  
**University of Edinburgh Business School**



Guy Jubb

Guy Jubb is an Honorary Professor at the University of Edinburgh Business School. Previously, Mr. Jubb was the Global Head of Governance & Stewardship at Standard Life Investments (SLI), where he was responsible for the worldwide application of SLI's governance and stewardship principles and policy guidelines.

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Andrew Winden

**Andrew Winden**  
Fellow, Rock Center for Corporate Governance  
Lecturer in Law, Stanford Law School

Andrew Winden is a Fellow at the Rock Center for Corporate Governance and a Lecturer in Law at Stanford Law School. Mr. Winden writes about corporate governance and entrepreneurship, capital markets and securities regulation, climate change and sustainability and business transactions. He teaches the course Mergers, Acquisitions and other Complex Transactions.

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Richard A. Bennett

**Richard A. Bennett**  
President & Chief Executive Officer  
ValueEdge Advisors

Richard A. Bennett is President and Chief Executive Officer of ValueEdge Advisors, a firm founded in the summer of 2014 to help institutional investors engage with their portfolio companies. From 2006, Mr. Bennett served as Chief Executive Officer and then Chairman of GMI Ratings and its predecessor, The Corporate Library, a globally recognized investment research firm specializing in corporate governance and ESG with offices in London, New York, San Diego and Portland, Maine.

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**Session 12: JayWalking in the Trump Era**  
11:00 am - 12:00 pm

An acclaimed late-night TV show host and admired stand-up comedian shares his view of government, politics, and the economy in America.

**SPEAKER: Jay Leno, moderated by Paul J. Geller**



Jay Leno

**Jay Leno**  
American Comedian, Actor, Philanthropist and Television Host

Jay Leno's late night television ratings domination included more than two decades of *The Tonight Show with Jay Leno*, winning every consecutive quarter of his hosting over the past 19 years. After resuming hosting the 11:35 PM program following a one-time brief interruption of these duties, Mr. Leno once again took the show to the top, leading all of the ensuing quarters handily for another three years. Under his helm, the show was honored by the Television Academy with an Emmy for "Outstanding Comedy, Variety or Music Series." *The Tonight Show* has also taken home the trophy for "Favorite Late Night Show" in the annual TV Guide Awards determined by voting viewers, and Mr. Leno was recently installed in the Television Academy's Broadcast Hall of Fame.

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Paul J. Geller

**Paul J. Geller**  
Partner  
Robbins Geller Rudman & Dowd LLP

Paul Geller, Managing Partner of Robbins Geller Rudman & Dowd LLP's Boca Raton, Florida office, is a Founding Partner of the firm, a member of its Executive and Management Committees and head of the firm's Consumer Practice Group. Mr. Geller's 25 years of litigation experience is broad, and he has handled cases in each of the firm's practice areas. Notably, before devoting his practice to the representation of consumers and investors, he defended companies in high-stakes class action litigation, providing him an invaluable perspective. Mr. Geller has tried bench and jury trials on both the plaintiffs' and defendants' sides, and has argued before numerous state, federal and appellate courts throughout the country.

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**Closing Remarks**  
12:00 pm - 12:10 pm

**Lunch and Networking Activities: Cooking in the Canyon, Dolphin Safari, Golf at Monarch Beach and Guided Hiking**  
12:30 pm - 5:30 am

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