

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AUGUST 23, 2016 – REGULAR BOARD MEETING MINUTES

1608.1 **Call to Order, Roll Call and Miscellaneous Business**

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

Roll Call:

Present: Mark Battey, Natalie Kwan Lloyd, Paul Hackleman, Michal Settles, David Spinello, Eric Tashman and Shirley Tourel.

Excused: Sandie Arnott, Ben Bowler

Alternates present: Alma Salas and Susan Lee

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

Consultants: Margaret Jadallah, Joe Abdou and John Nicolini (*Verus*); Will Morrow, (*LRWL*)

1608.1.1 **Administration of Oath of Office to Newly Elected Trustees:** Shirley Tourel, who is the Assistant Controller, administered the oath of office to Natalie Kwan Lloyd (Third Member) who was reelected in June.

1608.2.1 **Oral Communications from the Board:** Mr. Spinello reported the sessions he attended at the GFOA Annual Conference, in Toronto, Ontario, on May 19-24, 2016. Ms. Settles reported her attendance at CALAPRS Principles of Pension Management, August 9-12, at Pepperdine University.

1608.2.2 **Oral Communications from the Public:** None.

1608.3.1 **Approval of Board Meeting Minutes from July 27, 2016:** Mr. Hackleman asked if there were any changes or corrections to the minutes from July 27, 2016 and none were noted.

Action: Mr. Spinello moved to approve the minutes from July 27, 2016; the motion was seconded by Ms. Settles. The motion carried with a vote of 7-0 with trustees Battey, Kwan Lloyd, Hackleman, Settles, Spinello, Tashman and Tourel all in favor; none opposed.

1608.4.0 **Approval of the Consent Agenda:** Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and no items were requested to be removed.

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

1608.4.1 **Disability Retirements**

- a) The Board (1) accepted the proposed findings and recommendations of the Hearing Officer, George Camerlengo, (2) found that Elsie Iniguez is permanently incapacitated for the performance of her usual and customary duties as a Benefits Analyst II, (3) found that her disability was not a result of an injury arising out of and in the course of her employment, (4) denied her application for a service-connected disability retirement and (5) granted her a non-service-connected disability retirement.
- b) The Board found that Linda Selhorn is (1) not permanently incapacitated for the performance of her usual and customary duties as a Telephone Operator and (2) denied her application for a service-connected disability retirement.
- c) The Board found that Rafael Urena is (1) permanently incapacitated from the performance of his usual and customary duties as Road Maintenance Worker, (2) found that his disability was the result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.

1608.4.2 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Cummings, Stephen	June 6, 2016	QDRO account
Day, Christopher	June 29, 2016	Deferred from Environ Health
Jackson, Wilbur	July 1, 2016	Family Health
Jenson, Jill	June 1, 2008	Probation
Kocel, Katherine	July 1, 2016	Deferred from Child Support Serv
Kollerer-Olear, Elizabeth	June 8, 2016	Deferred from Courts
Larmour, Rodney	July 1, 2016	Sheriff's
Moore, Suzanne	July 1, 2016	Medical Center
Selhorn, Linda	July 1, 2016	Information Services
Stephens, Madeline	July 1, 2016	Deferred from Health Services
Toth, William	June 11, 2016	Human Services Agency
Urena, Rafael	June 19, 2016	Public Works

1608.4.3 **Continuances:**

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

Survivor's Name	Beneficiary of:
Cardoza, Shirley E (B)	Cardoza, Leonard
Fletcher, Kimberly M (B)	Fletcher, David
Zimmerman, Walter G (B)	Miller, George

1608.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Barriga, Eliseo T.	G4, Vested
Barthe, Jean-Francois	G4, Vested
Coulehan, Holly D.	G4, Vested - Reciprocity
Gonzalez, Alma L.	G2, Vested
Loomis, Michelle H.	G4, Vested
Luayon, Jennifer A.	G4, Non-vested - Reciprocity
Mosher, Janelle A.	G4, Vested
Rider, Cynthia J.	G4, Vested - Reciprocity
Valentino, Arnold B.	G4, Vested
Viet, John N.	G7, Non-vested – Reciprocity

1608.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Dumlupinar, Firuz	G7, Non-vested
Estorga, Casey	G7, Non-vested
Hayes, Gregory	G7, Non-vested
Hernandez, Sylvia	G4, Vested
Jimenez, Chellee	G4, Vested
Keller, Jennifer	G7, Non-vested
Manaysay, Kenneth	G7, Non-vested
Pierce, Katherine	G5, Non-vested
Walker, Jamica	G5, Non-vested

1608.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Collier, Rowmeeka	G4, Non-vested

- 1608.4.7 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2016:** The Board accepted the semi-annual Compliance Certification Statements for SamCERA's equity and fixed income investment managers.
- 1608.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.
- 1608.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended July 31, 2016:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for July was 2.5%, while the preliminary trailing twelve-month return ending July 2016 was 2.8% net. This item was informational and for discussion only, no action was taken.
- 1608.6.2 **Report on Quarterly Investment Performance Report for the Period Ended June 30, 2016:** Ms. Jadallah went over the quarterly report with the Board. She reviewed manager performance, talked about market trends, and discussed details on specific pages of the report. The 2nd quarter net total return for the SamCERA portfolio was 2.0%, which was 20 bps lower than the 2.2% policy benchmark return. This item was informational and for discussion only, no action was taken.
- 1608.6.3 **Report on the Growth Equity Manager Annual Reviews:** Ms. Ng reported that staff met with representatives from Baillie Gifford and Brown Advisory on July 7, 2016. Ms. Ng reported there were no significant concerns identified during the portfolio review. This item was informational and for discussion only, no action was taken.
- 1608.6.4 **Report on Asset-Liability Study: Asset Allocation Mixes (Continued):** Mr. Coultrip reported that staff and Verus will present a refined set of asset allocation portfolios, for the Board to review, at the September meeting. Feedback received from Board members in July is being incorporated into the model scenarios. This item was informational and for discussion only, no action was taken.
- 1608.6.5 **Presentation on the Volatility Risk Premium:** Ms. Jadallah, Ms. Ng, and Mr. Abdou gave the Board a 1-hour educational presentation on the volatility risk premium. Board members asked questions and discussed this topic with staff and consultant. This item was informational and for discussion only, no action was taken.

The Board meeting was adjourned for a break at 11:30 a.m. The meeting was reconvened, into a Closed Session, at 11:40 a.m. to discuss item #6.6.

- 1608.6.6 **Approval of Proposed Alternative Investment (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C2.):** The Board met in closed session from 11:40 until 12:05 p.m. to discuss this item. Upon conclusion of the closed session, Ms. Carlson reported the following action was taken by the Board.

Action: A motion was made and seconded, to approve a commitment of \$10 million to Taurus Mining Finance Annex Fund, as part of SamCERA's private real asset allocation. The motion carried with a vote of 6-1, with trustees Battey, Kwan Lloyd, Hackleman, Settles, Spinello and Tourel, all in favor; Tashman, opposed.

Following the closed session report, the meeting was adjourned for lunch from 12:07 p.m. until 12:35 p.m.

- 1608.7.1 **Preliminary Financial Statements for the Fiscal Year Ended June 30, 2016:** Ms. Chow reported that SamCERA's fiduciary net position as of June 30, 2016 was \$3.5 billion; reflecting an increase of \$82 million, or 2%, from last year. This item was informational and for discussion only, no action was taken.
- 1608.7.2 **Preliminary Report on Budget-to-Actual for the Fiscal Year Ended June 30, 2016:** Ms. Chow reviewed the FY 2015-16 budget-to-actual report with the Board. This item was informational and for discussion only, no action was taken.
- 1608.7.3 **Approval of Process and Questions for the Annual Review of Brown Armstrong:** Mr. Hood explained the proposal to change the time of Brown Armstrong's annual review, from the October meeting where they present the Audit Report, to the December meeting. This will give staff and Board members more time after receiving the audit report to review the work of Brown Armstrong, before their evaluation.
Action: Mr. Spinello moved approve staff's proposed process and to approve the "Questions for the Annual Evaluation of SamCERA's Independent Auditor." The motion was seconded by M. Tashman and carried with a vote of 7-0 with trustees Battey, Kwan Lloyd, Hackleman, Settles, Spinello, Tashman and Tourel all in favor; none opposed.
- 1608.7.4 **Update on Progress of SamCERA's Information Technology Projects:** Mr. Ali updated the Board on the on-going IT projects, and Mr. Morrow followed up with a status update of the PASS implementation. This report was informational and for discussion only; no action was taken.
- 1608.8.1 **Chief Executive Officer's Report:** Mr. Hood thanked Mr. Morrow for his continued work on the PASS project. He commented on the items in the "Day of Meeting" folder, including the Board calendar and the IRS tax determination letter. Mr. Hood reported his attendance at the CALAPRS Principles of Pension Management, August 9-12, at Pepperdine University.
- 1608.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the auditors are at SamCERA doing field work for a couple weeks. She also stated that User Acceptance Testing for the PASS project is currently underway, requiring many hours of staff time, yet customer service levels remain high.
- 1608.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that the transition to QMA was complete and that staff would be reporting on the securities lending annual review next month. He also informed the Board of a number of upcoming manager annual review meetings.
- 1608.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board on the progress of SB 1853, giving the Board authority to become a "District." She also reviewed a published Court of Appeals decision, that is not yet final, involving the 2013 statutory language change for the determination of what is included in compensation earnable for non-PEPRA members.

CLOSED SESSION

- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda – None.**
- C2 **Approval of Purchase of Proposed Alternative Investment** (Confidential Under Gov. Code §54956.81 and §6254.2) –See Item 6.6 for action taken.
- 1608.9 **Report on Actions Taken in Closed Session:** See item 6.6.
- 1608.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 1:26 p.m. in memory of the deceased members listed below.

Pagan, Michael	May 9, 2016	Probation
Larson, Joan	July 4, 2016	Library
Lamis, Aurelia	July 9, 2016	Medical Center

Farr, Grover
Sylvester, Mary
Spiker, John
Lanphear, Eva
Ganley, Mary
Reppas, John
Kierig, Leslie
Griffin Ramseur, Mary E.

July 17, 2016
July 19, 2016
July 22, 2016
July 27, 2016
July 28, 2016
July 28, 2016
July 30, 2016
August 10, 2016

Chope Hospital
Medical Center
Public Works
Human Services Agency
Sheriff's
Agr. Weights & Measures
Health Services
Board of Supervisors



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary