

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
OCTOBER 25, 2016 – REGULAR BOARD MEETING MINUTES

1610.1 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, Ben Bowler, Paul Hackleman, Kurt Hoefer, Natalie Kwan Lloyd, Susan Lee (for David Spinello) Eric Tashman and Shirley Tourel.

Excused: Sandie Arnott and David Spinello.

Alternates present: Alma Salas.

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Doris Ng, and Kristina Perez.

Consultants: Margaret Jadallah, and Stephen Quirk (*Verus*); Ashley Casey (*Brown Armstrong*).

1610.1.1 Administration of Oath of Office to Ben Bowler: Shirley Tourel, Assistant Controller, administered the oath of office to Ben Bowler (Fifth Member) who was appointed on June 6, 2016, by the San Mateo County Board of Supervisors to serve on the Board of Retirement.

1610.1.2 Announcement of Appointment of Board Committees: Mr. Hackleman announced the following appointments to Board committees:

Audit Committee: Susan Lee, Kurt Hoefer, Sandie Arnott and Shirley Tourel, Chair.

Investment Committee: Natalie Kwan-Lloyd, Alma Salas, Eric Tashman and Ben Bowler, Chair.

Ad Hoc Education Committee: David Spinello, Shirley Tourel, Ben Bowler and Mark Battey, Chair.

Ad Hoc CEO Review Committee: Mark Battey, Alma Salas and Sandie Arnott, Chair.

1610.2.1 Oral Communications from the Board: None.

1610.2.2 Oral Communications from the Public: None.

1610.3.1 Approval of Board Meeting Minutes from September 27, 2016: Mr. Hackleman asked if there were any changes or corrections to the minutes from September 27, 2016 and none were noted.
Action: Ms. Kwan Lloyd moved to approve the minutes from September 27, 2016; the motion was seconded by Mr. Hoefer and the motion carried with a vote of 8-0, with trustees Battey, Bowler, Hackleman, Hoefer, Kwan Lloyd, Lee (for Spinello), Tashman, and Tourel, all in favor; none opposed.

1610.4.0 Approval of the Consent Agenda: Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and none were requested to be removed.
Action: Mr. Bowler moved to approve the Consent Agenda, and the motion was seconded by Ms. Tourel. The motion carried with a vote of 8-0 with trustees Battey, Bowler, Hackleman, Hoefer, Kwan Lloyd, Lee (for Spinello), Tashman, and Tourel, all in favor; none opposed.

1610.4.1 Disability Retirements

- a) The Board found that Elizabeth Garcia is (1) permanently incapacitated from the performance of her usual and customary duties as Patient Services Supervisor, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.
- b) The Board found that Araceli Terreforte is (1) permanently incapacitated from the performance of her usual and customary duties as a Physical Therapy Aide, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.

1610.4.2 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Boersig, Laura	August 4, 2016	Deferred from Sheriff's
Burke, Joy	August 27, 2016	Information Services
Burns, Dianne	August 2, 2016	Deferred from Sheriff's
Clarno, Candi	August 27, 2016	Information Services
Galay, Delia	August 13, 2016	Behavioral Health
Mattmann, Lon	September 1, 2016	Deferred from Sheriff's
Nunez, Pamela	September 1, 2016	Deferred from Tax Collector's
Quadt, Leisa	September 1, 2016	Public Safety Comm.
Reed, Mary Ellen	September 1, 2016	Deferred from Information Services
Sami, Benjamin	August 3, 2016	Correctional/Food Services
Torres, Estrellita	August 31, 2016	Superior Court
Villamor, Sixta	July 2, 2016	Deferred from Medical Center
Watson, Marian	August 27, 2016	County Counsel's Office

1610.4.3 **Continuances:**

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

Survivor's Name	Beneficiary of:
Hernandez, Aurelio	Hernandez, Ramona
Kierig, Delores Ann	Kierig, Leslie
Ramseur, Walter	Griffin, Mary
Sarzotti, Sharon	Sarzotti, James

1610.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Cochran, Jessica S.	G4, Vested
McMillan-Rea, Karina	G4, Vested - Reciprocity

1610.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Baldrige, Vanessa	G4, Vested
Barajas-Mejia, Blanca	G7, Non-vested
Franco, Lara	G7, Non-vested
Lambert, Charlotte	G4, QDRO Vested
Nichols, Wyndee	G7, Non-vested
Peacock, Nakeisha	P4, Non-vested
Prudente, Ana	G5, Non-vested
Valera-Clemen, Valerie	G4, Vested

1610.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Asch, Rebecca	G7, Non-vested
Hernandez, Mary L.	G4, Vested
Hitchcock, Clarence	G4, Non-vested
Michaud, Jerrold	G4, Non-vested
Morrison, Lucas	G7, Non-vested
Shitanishi, Dustin	G7, Non-vested
Simpson, Nathaniel	G4, Vested

- 1610.4.7 **Member Account Redeposit:** None
- 1610.4.8 **Approval of Resolutions Amending Definitions of Compensation Earnable and Pensionable Compensation:** The Board approved a new earnings code to be effective October 9, 2016 and adopted the following resolutions: (1) a resolution defining compensation earnable, pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34 and (2) a resolution defining Pensionable Compensation for members who are subject to Government Code §7522.34.
- 1610.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended September 30, 2016:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for September 2016 was 0.7%, while the preliminary trailing twelve-month return ending September 2016 was 10.5% net. This item was informational and for discussion only, no action was taken.
- 1610.6.2 **Report on Opportunistic Credit Manager Annual Review (Brigade):** Ms. Ng reported that staff met with representatives from Brigade Capital Management on September 7, 2016, and reviewed the meeting notes with the Board. She reported there were no significant concerns identified during the annual review. This item was informational and for discussion only, no action was taken.
- 1610.6.3 **Report on Alternative Manager Annual Review (Standard Life GARS):** Mr. Coultrip reported that staff met with representatives from Standard Life on October 6, 2016, and reviewed the meeting notes with the Board. Additionally, staff met with SamCERA's other Hedge Fund /Absolute Return strategy, AQR Delta, on October 13, 2016 and that report will be presented to the Board at the December meeting. This item was informational and for discussion only, no action was taken.
- 1610.6.4 **Approval of New Asset Allocation Policy Portfolio:** Mr. Coultrip and Ms. Jadallah reviewed the 50/20/20 asset allocation recommendation from Verus with the Board. The recommendation incorporated previous discussions with the Board, and the direction given to staff and Verus over the past few months.
Action: Mr. Battey moved to approve the 50/20/20 asset allocation policy as recommended, and the motion was seconded by Mr. Bowler. The motion carried with a vote of 8-0, with trustees Battey, Bowler, Hackleman, Hoefler, Kwan Lloyd, Lee (for Spinello), Tashman and Tourel all in favor; none opposed.
- 1610.6.5 **Approval of Resolution Amending the Investment Policy:** Mr. Coultrip summarized the proposed changes to SamCERA's Investment Policy Statement, which will memorialize the Board's actions implemented since the Investment Policy was last revised in January 2016.
Action: Mr. Hoefler moved to adopt a resolution amending the SamCERA Investment Policy as proposed, and the motion was seconded by Mr. Battey. The motion carried with a vote of 8-0, with trustees Battey, Bowler, Hackleman, Hoefler, Kwan Lloyd, Lee (for Spinello), Tashman and Tourel all in favor; none opposed.

The meeting was adjourned for a break from 11:04 a.m. until 11:13 a.m.

- 1610.7.1 **Acceptance of Financial Audit Management Reports and Findings:** Ms. Chow introduced Ashley Casey, from Brown Armstrong, who reviewed the independent financial audit performed by Brown Armstrong for the fiscal year ending June 30, 2016. She outlined the process and outcome of the audit and stated that SamCERA's audit has received an unqualified (clean) opinion and there were no instances of non-compliance. Mr. Andrew Paulden joined the meeting by phone, and concurred with Ms. Casey's report. With no objections, the audit report and findings were accepted by the Board.

- 1610.7.2 **Approval of SamCERA's 2016 Comprehensive Annual Financial Report (CAFR):** Ms. Chow provided an oral report on the highlights of the CAFR, noting that SamCERA's funded status increased to 83.1%.
Action: Mr. Tashman moved to approve SamCERA's Comprehensive Annual Financial Report (CAFR) for the fiscal year that ended June 30, 2016. The motion was seconded by Ms. Tourel and carried with a vote of 8-0, with trustees Battey, Bowler, Hackleman, Hoefer, Kwan Lloyd, Lee (for Spinello), Tashman and Tourel all in favor; none opposed.
- 1610.7.3 **Workshop on Delegation of Investment Activities and Direction to Staff:** Mr. Hood and Mr. Coultrip followed up on last month's agenda item on governance, with an additional discussion on the delegation of investment activities, including manager selection. The discussion between staff, Verus and Board members was comprehensive and the topics included: the past and future role of the investment committee; manager selection criteria; different levels of delegation for different asset classes; transparency; monitoring and annual reviews; and delegating implementation. This item was informational and for discussion only, no action was taken.
- The meeting was adjourned for lunch at 12:29 p.m. and the meeting was reconvened at 1:04 p.m.
- 1610.7.4 **Discussion of SACRS Business Meeting Topics:** Mr. Hood discussed the topics of the upcoming SACRS business meeting to be held during the SACRS Fall Conference, on November 11, 2016, in Indian Wells. The Board previously designated Trustee David Spinello as the Voting Delegate, with Scott Hood as the Alternate Voting Delegate. This item was informational and for discussion only, no action was taken.
- 1610.7.5 **Approval of Board of Retirement Meeting Schedule for 2017:** Ms. Smith reviewed the proposed calendar for the 2017 Board meetings. She noted the schedule was similar to the 2016 schedule, with the exception of October, when the meeting would be held on the fifth Tuesday, to accommodate time needed to finalize the CAFR.
Action: Ms. Tourel moved to approve the 2017 schedule of meetings for the Board of Retirement. The motion was seconded by Mr. Battey and carried with a vote of 8-0, with trustees Battey, Bowler, Hackleman, Hoefer, Kwan Lloyd, Lee (for Spinello), Tashman and Tourel all in favor; none opposed.
- 1610.8.1 **Chief Executive Officer's Report:** Mr. Hood reported staff has been busy with the PASS project, the CAFR, and the audit, and thanked all the staff involved in those endeavors. He reported that the contribution rates had been forwarded to the Board of Supervisors; and announced staff training scheduled in early November. He also previewed items that would appear on next month's meeting agenda including the annual review of the auditor, the CEO review, and a discussion of topics for the retreat.
- 1610.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported SamCERA's benefits staff participated in the County Benefits Fair; and she stated that the internal control audit of the PASS program is ongoing. She noted there was a spike in attendance for Financial Knowledge Network classes due to an improvement in the way class offerings were listed for County employees, on the County's Learning Management System (LMS). Ms. Smith let the Board know staff has been busy with user acceptance testing on the PASS project, and staff training is expected to begin at the end of November.
- 1610.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported the investment in State Street had been implemented as of October 7, 2016, and thanked staff that assisted. He notified the Board of the annual review of private equity and private real assets that is scheduled for November 17, 2016.
- 1610.8.4 **Chief Legal Counsel's Report:** None.

CLOSED SESSION

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

1610.9 **Report on Actions Taken in Closed Session:** None.

1610.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 1:14 p.m. in memory of the deceased members listed below.

Artigues, Raymond	September 8, 2016	Chope Hospital
Hansen, Jay	September 11, 2016	Engineer & Road Dept.
Holl, Theodore	September 14, 2016	Public Works
Alota, Richard	September 24, 2016	Hospital
Benson, Harold	September 27, 2016	General Services



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary