

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JULY 27, 2016 – REGULAR BOARD MEETING MINUTES

1607.1 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 2:02 p.m.

Roll Call:

Present: Sandie Arnott, Mark Battey, Ben Bowler, Paul Hackleman, Michal Settles, David Spinello, and Shirley Tourel.

Excused: Natalie Kwan Lloyd and Eric Tashman

Alternates present: Alma Salas and Susan Lee (for Natalie Kwan Lloyd)

Staff: Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Elizabeth LeNguyen, Barbara Edwards, Doris Ng, Lili Dames, and Kristina Perez.

Consultants: Margaret Jadallah, Stephen Quirk, Faraz Shooshani, Joe Abdou, Derek Kong and John Nicolini (*Verus*)

Also present: Michael Barber, Legislative Aide, San Mateo County

1607.1.1 Administration of Oath of Office to Newly Elected Trustees: Sandie Arnott administered the oath of office to Paul Hackleman (Eighth Member) and Alma Salas (Eighth Member Alternate). Mr. Hackleman also announced that the Board's current officers would "hold over" until the Board of Supervisors takes action on the trustee appointments for the 5th (Bowler) and 9th (Settles) members' seats. The Ad-Hoc Nominating Committee, headed by Ms. Arnott, will meet to nominate the Board of Retirement officers pending those appointments.

1607.2.1 Oral Communications from the Board: Mr. Battey, Ms. Tourel and Mr. Hackleman reported their attendance at International and Emerging Market Investing, a 2.5 day Wharton class held in San Francisco, July 25-27, 2016. Ms. Arnott reported her attendance at the GFOA Annual Conference, in Toronto, Ontario, on May 19-24, 2016; as well as attending the SACRS Spring Conference in Costa Mesa, on May 8-10, 2016. Ms. Settles reported her attendance at IMN's Global Indexing and ETFs Conference, in Dana Point, CA, June 26-28, 2016.

1607.2.2 Oral Communications from the Public: None.

1607.3.1 Approval of Board Meeting Minutes from June 7, 2016: Mr. Hackleman asked if there were any changes or corrections to the minutes from June 7, 2016 and none were noted.
Action: Ms. Settles moved to approve the minutes from June 7, 2016; the motion was seconded by Mr. Battey. The motion carried with a vote of 6-0-2 with trustees Battey, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello, and Tourel all in favor; none opposed; Arnott and Bowler abstaining, as they were not in attendance at the June 7th meeting.

1607.4.0 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. Arnott. The motion carried with a vote of 8-0 with trustees Arnott, Battey, Bowler, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello, and Tourel all in favor; none opposed.

1607.4.1 Disability Retirements

a) The Board found that Mary Paengalau is (1) permanently incapacitated from the performance of her usual and customary duties as a Fiscal Office Specialist, (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 Christine Steaveson is (1) permanently incapacitated from the performance of her usual and customary duties as a Communications Dispatch 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.

1607.4.2 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Cabugao, Teresita	June 1, 2016	Medical Center
Crandall, Deborah	April 30, 2016	Human Services Agency
Cummings, Stephen	June 1, 2016	Medical Center
Halkyard, Rosalinda	May 28, 2016	Medical Center
Jimenez, Reuben	May 31, 2016	Deferred from Social Services
Jones, Aniceta	June 1, 2016	Environmental Health
Kwok, Yin Mei	May 19, 2016	Deferred from Medical Center
Lineback, Nancy	May 9, 2016	Deferred from Medical Center
Lira, Lillian	June 1, 2016	Aging and Adult Services
Luft, John	December 25, 2015	Deferred from District Attorney
Luft, Pauline	February 8, 2016	QDRO
Mariano, Josefina	May 25, 2016	Deferred from Medical Center
McKee-Parks, Craig	April 30, 2016	Deferred from Sheriff's
Melnicoe, Shirley	April 17, 2016	Deferred from CMO
Merritt, Nancy	March 31, 2016	Deferred from Probation
Meynard, C E	May 24, 2016	Deferred from Medical Center
Nypaver, Christina	May 6, 2016	Deferred from Library
O'Brien, Eileen	May 28, 2016	Deferred from Human Services
Perez, Alfredo	April 26, 2016	Deferred from Social Services
Petrovitz, Cindy	June 1, 2016	Deferred from Superior Court
Schofield, Georgette	April 19, 2016	Deferred from Sheriff's
Stone, Randy	May 12, 2016	Deferred from Medical Center
Tolentino, Irma	May 17, 2016	Deferred from Superior Court

1607.4.3 **Continuances:**

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

Survivor's Name	Beneficiary of:
Beconsall, Teresa Lynn	Beconsall, Paul
Franklyn, Linda Joyce	Franklyn, Bernard
Green, Lynda L	Green, Gerald
Johnson, John	Majors, Amanda
Magulac, Stanley G	Magulac, Ruth
Mc Namara, Michael	Brewer, Shay
Morton, Christine	Morton, Harry
Ward, Robert A	Ward, Bernice

1607.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Acha, Roderick C.	S4, Vested
Baxley, Amabel	G4, Vested
Beebe, Alexis N.	G7, Non-vested - Reciprocity

Ehrlich, Susan P.	G4, Vested - Reciprocity
Lang, Kenneth	G4, Vested
Langan, Brad J.	P4, Vested
Lowe, Steven W.	G4, Vested - Reciprocity
Martinez, Brian L.	G4, Vested - Reciprocity
O'Kane, Mollie	G4, Vested
Quadrelli, Melissa	G4, Vested
Rugama, Candida	G4, Vested
Wongsrikasem, Natthawut	G5/S5, Non-vested - Reciprocity
Yee, Raymond G.	G4, Vested

1607.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Amin, Nawied	G7, Non-vested
Borgueta, Clementine	G7, Non-vested
Davalos, Edgar	P7, Non-vested
Flatmoe, Chris	G5, Non-vested
Kelly, Sean	G4, Vested
Miranda, Ma Melanie	G4, Vested
Takla, La Tanya	G5, Non-vested
Valentin-Cubing, Susan	G4, QDRO

1607.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Davis, Michelle	G5, Non-vested
Downey, Bryan	G7, Non-vested
Li, Yinglin	G7, Non-vested
Maitoza, Edward	G4, Non-vested
Osback, Terry	G7, Non-vested
Yokota, Jessica	G4, Non-vested

1607.4.7 **Approval of Questions for Annual Review of Milliman, Inc.:** The Board approved the questions proposed for the annual actuarial consultant evaluation.

1607.4.8 **Acceptance of July 2016 Addendum to the 2015 Actuarial Valuation and Resolution Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2016-2017 Fiscal Year:** The Board accepted the addendum to the 2015 Actuarial Valuation and approved a resolution accepting the contribution rates contained in the July 20, 2016 addendum to the 2015 Actuarial Valuation to recommend to the Board of Supervisors for the 2016-2017 Fiscal Year.

1607.4.9 **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 non-alternative investment managers, as of June 30, 2016.

1607.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

1607.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended June 30, 2016:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for June was 0.55 %, while the preliminary trailing twelve-month return ending June 30, 2016 was 0.73 % net. This item was informational and for discussion only, no action was taken.

1607.6.2 **Report on International Equity Manager Annual Reviews:** Ms. Ng reported that staff met with representatives from Franklin Templeton, Eaton Vance Parametric, and Fidelity Institutional Asset Management on May 19, 2016. Ms. Ng reported there were no significant concerns identified during the portfolio reviews, and the submitted meeting notes contain more detail. This item was informational and for discussion only, no action was taken.

1607.6.3 **Report on Value Manager Annual Reviews:** Ms. Ng reported that staff met with representatives from Barrow Hanley, Mondrian and The Boston Company on June 16, 2016. Ms. Ng reported there were no significant concerns identified during the portfolio review, and the submitted meeting notes contain more detail. This item was informational and for discussion only, no action was taken.

The Board took Item 6.7 next, out of order. The remaining items were heard in the order listed below. The Board adjourned into closed session at 2:42 p.m. and reconvened at 3:00 p.m.

1607.6.7 **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 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 in Angeles Equity Partners I, as part of SamCERA's allocation to private equity. The motion carried with a vote of 8-0, with trustees Arnott, Battey, Bowler, Hackleman, Lee (for Kwan Lloyd) Settles, Spinello and Tourel, all in favor; none opposed.

1607.6.4 **Approval of Small-Capitalization Core Manager Finalist:** Mr. Coultrip reviewed the selection process thus far with the Board. He reported that staff and SamCERA's consultant completed in depth due-diligence, including an on-site visit, for the finalist, Quantitative Management Associates (QMA). Board members discussed the recommendation with Ms. Jadallah and Mr. Coultrip, and topics of the discussion included fee structure, trading analysis, and how QMA would complement the current strategies in the portfolio. Utilizing a transition manager in this process was also recommended and was included in the motion.

Action: Mr. Battey moved to approve the recommendation to hire Quantitative Management Associates (QMA) for a Small-Cap Core mandate with an initial investment of \$110 million, utilizing a transition manager; and to approve changing SamCERA's domestic equity benchmark to the Russell 3000 Index. The motion was seconded by Mr. Bowler and carried with a vote of 8-0, with trustees Arnott, Battey, Bowler, Hackleman, Lee (for Kwan Lloyd) Settles, Spinello and Tourel, all in favor; none opposed.

1607.6.5 **Approval of Liquid Real Asset Pool Implementation:** Mr. Coultrip and Mr. Nicolini discussed the proposed change to the current commodity strategy to a more passive strategy, with a better fee structure; which would become the permanent Liquid Pool portion of the Inflation Hedge portfolio.

Action: Mr. Battey moved to approve staff and consultant's recommendation to move SamCERA's current commodity strategy exposure (approx. \$85-90 million) to a new custom liquid real asset strategy managed by State Street Global Advisors. The motion was seconded by Ms. Arnott and carried with a vote of 8-0, with trustees Arnott, Battey, Bowler, Hackleman, Lee (for Kwan Lloyd) Settles, Spinello and Tourel, all in favor; none opposed.

The meeting was adjourned for a break at 3:35 p.m.; and reconvened at 3:50 p.m.

1607.6.6 **Report on Asset/Liability Study: Asset Allocation Mixes:** Ms. Jadallah reviewed and discussed the Asset/Liability Study report with the Board. She presented a range of asset allocation portfolios, and summarized their key metrics, including funded ratio, contributions in dollars, and contributions as a percentage of pay. Open discussion followed and Board members discussed the timeline for payoff of the unfunded liability, outcome of lowering risk, cash flow, as well as other topics; and gave direction to staff and Verus to come back with more information on 50/20/20 and 40/25/25 asset allocation strategies. This item was informational and for discussion only, no action was taken.

1607.7.1 **Approval of a Resolution Authorizing the Chief Executive Officer to Contract for Audit Services of the Internal Controls of the Pension Administration Software System (PASS):** Mr. Hood discussed the proposed agreement for an Internal Controls Audit of the Pension Administration Software System (PASS), and provided a glossary of terms to the Board members in their meeting folder. He explained this was different than penetration testing, as this audit service would provide information about internal control vulnerabilities, and assure "traceability"; and permit corrections to be made before the PASS system goes live.

Action: Ms. Settles moved to approve a resolution authorizing the Chief Executive Officer to execute an agreement, not to exceed \$250,000, for an Internal Control Audit of the Pension Administration Software System (PASS). The motion was seconded by Ms. Arnott and carried with a vote of 8-0, with trustees Arnott, Battey, Bowler, Hackleman, Lee (for Kwan Lloyd) Settles, Spinello and Tourel, all in favor; none opposed.

1607.8.1 **Chief Executive Officer's Report:** Mr. Hood reported he was working with the Mosquito and Vector Control District to answer their questions about unfunded liability pay down, and that Milliman, Inc. was assisting. He commented on the items in the "Day of Meeting" folder, including the Board calendar and annual trustee travel expenditures. Mr. Hood will be auditing the CALAPRS Principles of Pension Management class in August.

1607.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported her attendance at the recent SCORPA meeting. She introduced new employees, Hollie Song-Duell (Accountant) and Janet Nishimura (Retirement Support Specialist) to the Board.

1607.8.3 **Chief Investment Officer's Report:** Mr. Coultrip notified the Board that an additional educational session on volatility would be scheduled soon. He reported that Doris Ng attended the SACRS Public Pension Investment Management Program, July 17-20, in Berkeley.

1607.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reviewed a PEPRA related court decision involving CalPERS regarding pensionable pay and defining a publicly stated pay rate.

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 6.7 for action taken.
- C3 **Public Employee Performance Evaluation, in Accordance with Government Code Section 54957**
Title: Chief Executive Officer
- C4 **Conference with Labor Negotiator, in Accordance with Government Code Section 54957.6**
Designated Representative: Brenda B. Carlson. Employee Position: Chief Executive Officer

1607.9 **Report on Actions Taken in Closed Session:** See item 6.7. The Board adjourned into closed session to consider Items C3 and C4 at 5:12 p.m. Upon reconvening, at approximately 5:40 p.m., Ms. Carlson reported that the Board had not taken any reportable action on these items.

1607.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 5:12 p.m. in memory of the deceased members listed below.

Green, Gerald	May 21, 2016	Public Works
Beconsall, Paul	May 23, 2016	Public Works
Freemon, Peggy	May 29, 2016	Human Services
Springer, Richard	May 31, 2016	General Services
Saito, Kay	June 4, 2016	Social Services
Banez, Eulogio	June 11, 2016	Medical Center
Miller, George	June 11, 2016	Planning
Sullivan, Harley	June 11, 2016	Probation
Cardoza, Leonard	June 12, 2016	Sheriff's
Jones, Sarah	June 13, 2016	Electronic Data Processing
Luzzi, Robert	June 26, 2016	Treasurer
Redwine, Julia	June 27, 2016	Human Services
Donati, Harriet	June 29, 2016	Superior Court
Kunitani, Suzu	July 1, 2016	Public Health



 Scott Hood
 Chief Executive Officer



 Kristina Perez
 Retirement Executive Secretary