

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

March 26, 2013

Agenda Item 3.0

February 26, 2013 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 1:00 p.m.

1. Call to Order, Roll Call and Miscellaneous Business

2. Oral Communications

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

3. Approval of the Minutes

4. Approval of the Consent Agenda

- Disability Retirements
 - Janet Colombet
 - Davida Talcove
- Service Retirements
- Continuances
- Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Semi-Annual Compliance Certification Statements
- Approval of SCORPA Request to Deduct Annual Dues

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Approval to Issue Request for Proposal for Actuarial Auditing Firm

6. Investment Services (The Investment Committee will meet at 10 a.m., February 26, 2013 in the SamCERA Boardroom.)

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Discussion and Approval of Alternative Asset Opportunities (to be heard in Closed Session)
 - a) D.E. Shaw 130/30 Manager Request for Information Responses
 - b) Private Equity Opportunity
- 6.3 Discussion and Review of Overlay Management – Further Discussion
- 6.4 Approval of Annual Review Questionnaires for International Managers
- 6.5 Approval of Large-Cap Growth Manager Finalist Candidates
- 6.6 Approval of Changes to Fixed Income Policy Benchmark
- 6.7 Discussion on Proposed Changes to the Investment Policy

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Update on Board/Staff Retreat Agenda
- 7.3 Annual Review and Approval of SamCERA's Mission and Goals Resolution
- 7.4 Procedures for Auditing of Employer Data and Information to Determine Correctness of Member's Retirement Benefits, Compensation and Enrollment

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

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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 and Appropriate for Closed Session.
- C2 Discussion and Approval of Alternative Asset Opportunities (two items), pursuant to Government Code §54956.81

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Ledgerwood, Shirley	January 3, 2013	Library
Taylor, Rose	January 3, 2012	Social Services
Manning, Cleo	January 3, 2013	Parks and Recreation
Aldridge, Aracely	January 3, 2013	Social Services
Brothers, Ronald	January 10, 2013	Probation
Bergeson, Mary Lou	January 11, 2013	Health and Welfare
Mills, Leighton	January 12, 2013	Public Works
Price, Barbara	January 14, 2013	Housing
McDonough, Leah	January 16, 2013	Health Department
Struffenegger, Hans	January 18, 2013	Dept. of Agriculture
Bomberger, Carol Ann	January 18, 2013	Mental Health
Piotti, John	January 22, 2013	Courts
Burgett, Claudia	January 22, 2013	Mental Health
Whitehead, Robert	January 25, 2013	Ben. Of Mary Whitehead
Somers, Dorothy	January 29, 2013	Assessor's Office

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February 26, 2013– Board Minutes

1302.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Sandie Arnott, Chair, called the Public Session of the Board of Retirement to order at 1:00 p.m.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, and David Spinello.

Alternates Present: Christopher Miller, John Murphy.

Excused: Eric Tashman.

Staff: David Bailey, Michael Coultrip, Brenda Carlson, Gladys Smith, Lilibeth Dames, Mable Wong and Kristina Perez.

1302.2.1 **Oral Communications From the Board:** Ms. Agnew reported her attendance at the CALAPRS Advanced Board Leadership Institute, at UCLA on January 29-31, 2013. Mr. David reported attending the NCPERS Legislative Conference, in Washington D.C. on January 26 – 28, 2013. Ms. Settles reported attending IFEBP's Advanced Trustee Institute, in Orlando, Florida, February 17-20, 2013. Mr. Spinello reported attending the CALAPRS Trustee Roundtable meeting in San Jose on February 8, 2013.

1302.2.2 **Oral Communications From the Public:** None

Mr. Bailey introduced two new SamCERA staff members to the Board. Susan Fong, Retirement Accountant, and Elena Ricevuto, Retirement Accounting Technician, were introduced and welcomed.

1302.3.1 **Approval of the Board Meeting Minutes:**

Action: Mr. David moved to approve the minutes from the regular Board meeting held on January 22, 2013. The motion was seconded by Mr. Hackleman and carried unanimously.

1302.4.0 **Approval of the Consent Agenda:** The Chair asked if there were any items to be removed from the Consent Agenda, and none were taken off.

Action: Mr. David moved to approve the Consent Agenda, and the motion was seconded by Mr. Hackleman and carried unanimously.

1302.4.0

Consent Agenda

Disability Retirements

1. The Board found that Janet Colombet is (1) disabled from performing her usual and customary duties as a Sheriff's Sergeant, (2) found that her disability was a 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.
2. The Board found that Davida Talcove is (1) disabled from performing her usual and customary duties as a Staff Physician, (2) found that her disability was a 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.

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Consent Agenda

1302.4.0 **Service Retirements**

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

Forrest, Stuart	December 31, 2012	Probation
Thompson, Dayna	January 1, 2013	Courts
Bulatao, Emmanuel	December 9, 2012	District Attorney's Office
Nelson, Grace	December 29, 2012	Def'd. from Corrections
Lockman, Patricia	December 29, 2012	Human Services Agency
Lewetzon, Robert	December 29, 2012	Sheriff's Dept.
Mogel, Ray	December 13, 2012	Public Works
Yaco, Jack	December 15, 2012	County Manager's Office
Keliiaa, Robert	December 22, 2012	Health Department
Miles, Gloria	December 22, 2012	Hospital
Padula, Ronaldo	December 19, 2012	Hospital
Warburton, Alfred	December 31, 2012	Def'd. from Parks
Frattaroli, Lynda	January 1, 2013	Health Department
Newton, Pamela	October 15, 2012	Def'd. from Hospital

1302.4.0 **Continuances**

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

Survivor's Name	Beneficiary of
Blasser, Jean	Blasser, William
Nevin, Kathleen	Nevin, Michael

1302.4.0 **Deferred Retirements**

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

Member Name	Retirement Plan Type
Burrell, Barbara	G4 Vested
Fresquez, Leonard	G4 Vested
Kozak, Andrea	G4 Vested
Rohatgi, Shalini	G4 Vested
Boesch, David	G4 Reciprocity
Moore, Britt	G5 Not Vested - Reciprocity
Jacquemet, Jean	G2 Vested – Reciprocity

1302.4.0 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Blick, Suzanne	G4 Vested
Devera, Mila	G4 Vested
Perez Castro, Leonor	G4 Vested
Serrano-Batol, Janice	G4 Non-vested

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1302.4.0 **Other Consent Agenda Items:**

- The Board reviewed and accepted the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of December 31, 2012.
- The Board approved SCORPA's request to deduct its annual membership dues from consenting members' benefits and waive the administrative costs for implementing and maintaining the deduction.

1302.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.

1302.5.2 **Approval to Issue Request for Proposal for Actuarial Auditing Firm:** Mr. Bailey presented the staff report and discussed whether to have an actuarial audit this fiscal year. He stated an audit would be more useful after more member data is available from Plans 5, 6 and 7. After discussion, staff was directed to seek approval for an actuarial audit next year. No action was taken on this item.

1302.6.0 **Investment Services** (The Investment Committee met at 10 a.m., February 26, 2013, in the SamCERA Boardroom.)

1302.6.1 **Preliminary Monthly Portfolio Performance Report:** Mr. Coultrip presented the report and stated it was a strong month with SamCERA's portfolio up 3.1%.

1302.6.2 **Discussion and Approval of Alternative Asset Opportunities (to be heard in Closed Session)**

- a) **D.E. Shaw 130/30 Manager Request for Information Responses:** Mr. David reported that the Investment Committee recommended Board approval after a due diligence trip to D.E. Shaw.

Action: Mr. David moved to transition SamCERA's current long-only strategy with D.E. Shaw to a 130/30 strategy, after appropriate due diligence is conducted. The motion was seconded by Ms. Settles and carried unanimously.

The Chair adjourned the meeting into closed session to discuss Item 6.2(b) at 1:14 p.m.
The public meeting was reconvened at 3:02 p.m.

- b) **Private Equity Opportunity:** Ms. Carlson reported there was a motion by Mr. David to invest 10 million dollars with Third Rock Ventures, the motion was seconded by Mr. Spinello, and carried unanimously by roll call vote.

The Chair adjourned the meeting for a short break at 3:04 p.m., and the meeting was reconvened at 3:12 p.m.

1302.6.3 **Discussion and Review of Overlay Management – Further Discussion:** Mr. Coultrip explained the State Street report and analysis showing the estimated results of implementing an overlay program. Mr. David said that the Investment Committee had recommended to the Board to continue the process and return to the Board with a list of overlay management candidates. This item was for discussion only and no action was taken

1302.6.4 **Approval of Annual Review Questionnaires for International Managers:** Mr. Coultrip reviewed the annual review process with the Board; the questionnaires will be sent to the managers once approved by the Board.

Action: Mr. David moved to approve the proposed annual review questionnaires for SamCERA's International Managers. The motion was seconded by Ms. Settles and carried unanimously.

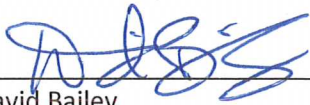
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- 1302.6.5 **Approval of Large-Cap Growth Manager Finalist Candidates:** Mr. David reported the Investment Committee met and discussed the finalists and recommended that the Board approve going forward to interview candidates Brown, Delaware and TCW. The Board, the CIO and Patrick Thomas of SIS, further discussed the finalists.
Action: Mr. Bowler moved to invite large cap growth manager candidates Brown, Delaware and TCW for interviews before the Board. The motion was seconded by Mr. David and carried unanimously.
- 1302.6.6 **Approval of Changes to Fixed Income Policy Benchmark:** Mr. Coultrip discussed changes proposed to the fixed income benchmark. He went over the structure changes and compared the current target with the proposed target.
Action: Mr. Hackleman moved to approve the proposed fixed income benchmark. The motion was seconded by Mr. David and carried unanimously.
- 1302.6.7 **Discussion on Proposed Changes to the Investment Policy:** Mr. Coultrip and Board members discussed the Investment Policy, specifically formulating a set of investment beliefs, which in turn would form the Board's investment philosophy. Mr. Coultrip provided a preliminary set of investment beliefs categorized into "Financial Market Beliefs," "Investment Process Beliefs," and "Sustainability / Corporate Governance Beliefs" and Board members reviewed and discussed the beliefs. This item was for discussion only and no action was taken.
- 1302.7.0 **Board & Management Support Services**
- 1302.7.1 **Monthly Financial Report:** Ms. Wong presented the monthly financial report and noted an increase due to the County's prepayment of contributions. This item was informational only and no action was taken.
- 1302.7.2 **Update on Board/Staff Retreat Agenda:** Mr. Bailey noted the results of the survey given to Board members showed that an economist was the most desired speaker for this year's retreat, and would be added to the agenda. This item was informational only and no action was taken.
- 1302.7.3 **Annual Review and Approval of SamCERA's Mission and Goals Resolution:** Mr. Bailey presented the staff report, no changes were proposed and the Board had no questions.
Action: Mr. Hackleman moved to adopt the resolution approving SamCERA's Mission and Goals. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.
- 1302.7.4 **Procedures for Auditing of Employer Data and Information to Determine Correctness of Member's Retirement Benefits, Compensation and Enrollment:** Ms. Carlson explained the details of the new procedure, which complies with PEPRA, and relates to spiking prevention and auditing employer information. This matter will be continued to next month and placed on the Consent Agenda.
- 1302.8 **Management Reports**
- 1302.8.1 **Chief Executive Officer's Report:** Mr. Bailey discussed recent Public Records Act information requests received by SamCERA and other plans regarding staff and Trustee travel and Form 700s. He noted the CEO survey was available on Survey Monkey. Ms. Settles reminded the Board members to complete the survey by March 14th, and encouraged 100% participation.
- 1302.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported she and Colin Bishop, Communications Specialist, met and discussed the upcoming election for three Trustee seats, currently held by Ms. Kwan Lloyd, Mr. Hackleman and Mr. Murphy. She said there is a possibility that the election will be conducted online. Ms. Smith also discussed results of the point of service survey to Board members.

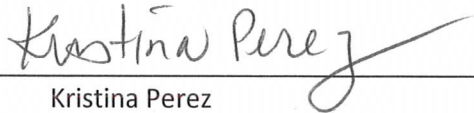
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- 1302.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported the \$75M prepayment was distributed. He received a capital call from Sheridan, which is now 91% funded. Mr. Coultrip let the Board know he was meeting with private equity fund-of-funds providers to assess their services and value. He noted that the SIS contract is due to expire in August 2013 and he would bring this before the Board in March for consideration of the timing of an extension of the contract and or issuing an RFP.
- 1301.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported she received an email regarding the IRS review of the 1937 Act systems and that the IRS has tentatively accepted the filing and the model regulations submitted by another plan. She noted that PERS is reviewing proposed PEPRAs regulations which include and define PEPRAs terms; also, that Senate Bill 13 amends PEPRAs to clarify that the provision regarding industrial disability for safety members does not apply to the '37 Act systems. Ms. Carlson reported that the State of CA has intervened in the various pending PEPRAs litigation matters and is defending the legislation.
- 1302.10 **Adjournment:** With no further business Ms. Arnott adjourned the meeting at 4:29 p.m. in memory of the following deceased members:

Ledgerwood, Shirley	January 3, 2013	Library
Taylor, Rose	January 3, 2012	Social Services
Manning, Cleo	January 3, 2013	Parks and Recreation
Aldridge, Aracely	January 3, 2013	Social Services
Brothers, Ronald	January 10, 2013	Probation
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David Bailey
 Chief Executive Officer



Kristina Perez
 Retirement Executive Secretary