

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

October 29, 2013

Agenda Item 3.0

September 24, 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**
 - 1.1 Administration of Oath of Office to Reappointed Trustees
 - 1.2 Announcement of the Appointment of the Ad Hoc Committee to Review the Medical Advisor

- 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**

<ol style="list-style-type: none">4.1 Disability Retirements<ol style="list-style-type: none">a. Caroline Banalb. Carla Lawrencec. Michael Shanksd. Glen Simmons4.2 Service Retirements4.3 Continuances	<ol style="list-style-type: none">4.4 Deferred Retirements4.5 Member Account Refunds4.6 Member Account Rollovers4.7 Trustee Training Request4.8 Trustee Request to Exceed Education Allocation
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- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
 - 5.2 Presentation of the June 30, 2013, Actuarial Valuation Report by Milliman, Inc.
 - 5.3 Acceptance of the Fiscal Year 2014-2015 Employer and Member Contribution Rates and Recommendations
 - 5.4 Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.

- 6. Investment Services**
 - 6.1 Preliminary Monthly Portfolio Performance Report for the Period Ending August 31, 2013
 - 6.2 Approval of New Asset Class Target Portfolio: Follow-up
 - 6.3 Report on Opportunistic Credit and TIPS Manager Annual Reviews
 - 6.4 Discussion and Approval Regarding Frequency of Trading Cost Analysis Due Diligence
 - 6.5 Discussion and Approval Regarding Proposed Changes to Western Asset Investment Guidelines

- 7. Board & Management Support Services**
 - 7.1 Presentation of Monthly Financial Report
 - 7.2 Report on Status of 2012-13 Financial Audit
 - 7.3 Update on Technology Modernization Project Status
 - 7.4 Approval of General Plan for Succession Planning for the Chief Executive Officer Position
 - 7.5 Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2013 Business Meeting
 - 7.6 Approval to Cancel the November Meeting and Reschedule the October and December Meetings of the Board of Retirement

- 8. Management Reports**
 - 8.1 Chief Executive Officer's Report
 - 8.2 Assistant Executive Officer's Report

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8.3 Chief Investment Officer's Report

8.4 Chief Legal Counsel's Report

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:

Stewart, Eileen	May 18, 2013	Human Services Agency
Lewis, Burner	August 9, 2013	Ben. of Willie Lewis
Pitts, Frances	August 7, 2013	Sheriff's Office
Cavallero, Miriam	August 19, 013	Ben. of Raymond Cavallero
Kenny, Laverne	August 19, 013	Courts
Judge, Catherine	August 20, 013	Libraries
Anderson, William	August 22, 013	Health Services
Wethington, Jerome	August 31, 013	Hospital
O'Keefe, John	August 31, 013	Probation

September 24, 2013 – Regular Board Meeting Minutes

1309.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Ms. Lauryn Agnew, Vice Chair, called the Regular Meeting of the Board of Retirement to order at 1:02 p.m.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew, Albert David, Paul Hackleman, Christopher Miller (sitting in for David Spinello), Michal Settles and Eric Tashman.

Excused: David Spinello, Ben Bowler, and Natalie Kwan Lloyd.

Alternates: Alma Salas.

Staff: David Bailey, Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Tariq Ali, Mabel Wong, Lili Dames and Kristina Perez.

1309.1.1 **Administration of Oath of Office to Reappointed Trustees:** This item was postponed until later in the meeting.

1309.1.2 **Announcement of the Appointment of the Ad Hoc Committee to Review the Medical Advisor:** Mr. Bailey announced the committee members appointed by the Chair as Natalie Kwan Lloyd, Sandie Arnott, Christopher Miller and Lauryn Agnew. The committee will meet and will report to the Board at the December meeting.

1308.2.1 **Oral Communications From the Board:** Ms. Agnew reported her attendance at SOCAP 2013 in San Francisco and the CALAPRS Trustees' Roundtable in San Jose. Ms. Arnott reported on her attendance at the GMI Ratings "Future of Corporate Reform" conference in Newport Beach. She spoke highly of the speakers and information provided at the conference. The "Future of Corporate Reform" was also attended by Ms. Settles, and she echoed Ms. Arnott's praises of the content and speakers. Mr. Miller reported his attendance at the CALAPRS Trustees' Roundtable in San Jose.

1309.2.2 **Oral Communications From the Public:** Ms. Salas also attended the GMI Ratings "Future of Corporate Reform" and was very pleased with the conference.

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1309.3.0 **Approval of the Board Meeting Minutes:** Ms. Agnew asked if there were any changes or corrections to the minutes, and none were noted.

Action: Mr. David moved to approve the regular and special meeting minutes from the Board meetings held on August 27, 2013. The motion was seconded by Mr. Hackleman and carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello) Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.

1309.4.0 **Approval of the Consent Agenda:** Ms. Agnew asked if there were any items to be removed from the Consent Agenda, and no items were removed.

Action: Mr. Hackleman moved to approve the Consent Agenda, and the motion was seconded by Ms. Settles. The motion carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.

1309.4.1

Consent Agenda

Disability Retirements

- a. The Board found that **Caroline Banal** is (1) permanently incapacitated for the performance of her usual and customary duties as a Medical Services Assistant II, (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.
- b. The Board found that **Carla Lawrence** is (1) permanently incapacitated for the performance of her usual and customary duties as a Program Counselor II, (2) found that her disability was not a result of an injury/illness arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.
- c. The Board found that **Michael Shanks** is (1) permanently incapacitated for the performance of his usual and customary duties as a Correctional Officer, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.
- d. The Board found that **Glen Simmons** is (1) permanently incapacitated for the performance of his usual and customary duties as a Supervising Cook, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.

1309.4.2

Service Retirements

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

Member Name	Effective Retirement Date	Department
Alvarado, Dolores	July 13, 2013	Hospital
Alvarez, Juan	July 31, 2013	Courts
Cachuela, Honorata	July 2, 2013	Deferred from Hospital
Cereno, Romulo	August 1, 2013	Human Services
Contreras, Juan	July 25, 2013	Hospital
Galestian, Deanna	August 1, 2013	Mental Health
Garbez, Elaine	August 1, 2013	Public Works
Guyden, Paula	June 22, 2013	Human Services
Howard, Deborah	July 29, 2013	Correctional Health
Kauk, Elizabeth	July 27, 2013	Public Health
Mojas, Michelle	July 31, 2013	Deferred from Courts
Roberts, Diane	July 7, 2013	Hospital

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Service Retirements

Ruiz, Raymond	July 6, 2013	Deferred from Hospital
Schumaker, Nadine	May 31, 2013	QDRO
Smith, William	August 1, 2013	County Counsel
Stephanik, Suzanne	July 9, 2013	Def'd. from Mental Health
Tan, Lourdes	July 15, 2013	Children's Protective Services
Wong, Arthur G.	June 29, 2013	Deferred from Public Works
Yee, Eric	July 24, 2013	Deferred from ISD

1309.4.3 **Continuances**

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

Survivor's Name	Beneficiary of
Flahavan, Jennifer	John Flahavan

1309.4.4 **Deferred Retirements**

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

Member Name	Retirement Plan Type
Velasquez, Angelina	G4 Vested – Auto Defer
Sarraga, Joy	G4 Vested – Auto Defer
Anaya-Marmolejo, Roberto	G4 Vested – Auto Defer
Alejandrino, Abel	G4 Vested – Reciprocity
Van Meter, Juliana	G4 Vested – Reciprocity
Sheridan, Kyle	G4 Vested – Reciprocity
Ow, Jennifer	G4 Vested – Reciprocity
Mayfield, Zulaika	G4 Vested – Non-Reciprocity
Irwin, Rebecca	G4 Vested – Non-Reciprocity

1309.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Diesh, Fanny	G4 Non-vested
Medios, Lourdes	G4 Vested

1309.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
Crockett, Jack	G4 Vested
Cathay, Richard	G4 Non-vested

1309.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.

1309.5.2 **Presentation of the June 30, 2013, Actuarial Valuation Report by Milliman, Inc.:** Nick Collier, from Milliman, Inc. presented the actuarial valuation report and discussed the findings and recommendations with Board members. Employer and member contribution rates, demographics and life expectancy, funded ratio, unfunded liabilities and adoption of new rates were some of the topics discussed.

1309.5.3 **Acceptance of the Fiscal Year 2014-2015 Employer and Member Contribution Rates and Recommendations:** Mr. Collier answered questions from Board members about the rates proposed.

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- 1309.5.3 **Action:** Mr. David moved to adopt the resolution approving the employer and member contribution rates recommended in the June 30, 2013, actuarial valuation report. The motion was seconded by Ms. Arnott. The motion carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.
- (con't)
- 1309.5.4 **Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.:** Mr. Bailey presented the evaluation survey results and discussed Milliman's performance with the Board. He noted the evaluation scores were very high, as were last year's scores. Mr. Bailey expressed his appreciation for the accessibility and responsiveness of Mr. Collier to SamCERA staff and also to County officials. Michael Barber, from Supervisor Pine's office, also commented positively about Mr. Collier's availability. This item was for discussion only and no action was taken.
- 1309.6.0 **Investment Services**
- 1309.6.1 **Preliminary Monthly Portfolio Performance Report:** Mr. Coultrip presented this item and reported that the fund's net preliminary return for August was -1.4 %. This item was for discussion only and no action was taken.
- 1309.6.2 **Approval of New Asset Class Target Portfolio:** Mr. Thomas reviewed recommended changes to SamCERA's current asset class target portfolio, as proposed by SIS and staff. He noted the biggest change to SamCERA's current policy would be implementing a dedicated real assets portfolio. Board members asked questions and discussed specific allocations in various categories. Topics of discussion also included risk, exposure to hedge funds, infrastructure, inflation and emerging markets.
- Action:** Mr. Hackleman moved to approve the new asset class target portfolio as recommended. The motion was seconded by Mr. David. The motion failed to receive the required minimum approval of 5 members of the Board, with a vote of 4-3. Hackleman, Settles, David and Miller in favor, Tashman, Agnew and Arnott opposed, Kwan Lloyd and Bowler absent.
- Ms. Agnew adjourned the meeting for a short break at 3:05 p.m., and reconvened into public session at 3:12 p.m. Discussion resumed regarding asset allocation.
- Action:** Mr. Hackleman moved to direct staff to return with the original proposal and a modified version for discussion with the full Board next month. The motion was seconded by Ms. Settles. The motion carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.
- 1309.1.1 **Administration of Oath of Office to Reappointed Trustees:** Ms. Agnew returned to this agenda item and called upon Sergeant Christina Corpus to administer the oath of office to Ms. Settles. Ms. Settles was reappointed to the Board of Retirement for another term, which will expire in June 2016. Ms. Settles received the oath of office and was congratulated on her reappointment.
- 1309.6.3 **Report on Opportunistic Credit and TIPS Manager Annual Reviews:** Ms. Dames reported that staff met with SamCERA's Opportunistic Credit and TIPS Managers on September 5, 2013, and there were no significant concerns identified during the portfolio reviews with Angelo Gordon, Brigade and Brown Brothers Harriman. This item was informational and no action was taken.
- 1309.6.4 **Discussion and Approval Regarding Frequency of Trading Cost Analysis Due Diligence:** Ms. Dames presented the staff report and discussed benefits and costs of current services provided by Zeno Consulting Group, following up on last month's presentation by Zeno. Ms. Dames stated that staff recommends

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- 1309.6.4 (con't) SamCERA conduct a one-time trade cost analysis of the fund's managers every three years; and retain Zeno Consulting Group to conduct this analysis on a triennial basis, and to engage Zeno to conduct a trade cost analysis of finalists during a potential manager search.
Action: Mr. David moved to approve staff's recommendation regarding the frequency of trading cost analysis services. The motion was seconded by Ms. Settles, and carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.
- 1309.6.5 **Discussion and Approval Regarding Proposed Changes to Western Asset Investment Guidelines:** Mr. Coultrip discussed the proposed changes to the Western Asset investment guidelines with the Board. He explained these changes would result in the overall weighted average credit rating not being more than 3 rating notches below the benchmark's (BC Aggregate Index) average weighted credit quality.
Action: Ms. Settles moved to change the provision in the Western Asset Investment Asset Guidelines regarding overall portfolio weighted average credit rating quality from an absolute level (AA-) to a relative level to that of the portfolio benchmark. The motion was seconded by Mr. Hackleman and carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.
- 1309.7.0 **Board & Management Support Services**
- 1309.7.1 **Presentation of Monthly Financial Report:** Ms. Wong presented the monthly financial report to the Board. This item was informational only and no action was taken.
- 1309.7.2 **Report on Status of 2012-13 Financial Audit:** Ms. Wong reported the audit was nearing completion. She let the Board know a survey evaluating the auditor's services would be forwarded to them via email. This item was informational only and no action was taken.
- 1309.7.3 **Update on Technology Modernization Project Status:** Mr. Will Morrow, of LRWL, gave the Board a detailed update on the technology project. He stated that five proposals were received in response to the PASS RFP. Mr. Morrow went over the progress and scheduled delivery of each phase of the project. This item was for discussion only and no action was taken.
- 1309.7.4 **Approval of General Plan for Succession Planning for the Chief Executive Officer Position:** Mr. Bailey and Mr. Hackleman discussed the succession planning for the CEO position with the Board. Mr. Bailey intends to retire in March 2015. The Succession Planning Committee will meet and report back to the Board. There was discussion of utilizing County HR services for this recruitment.
Action: Ms. Settles moved to approve the succession planning approach as discussed, and the motion was seconded by Mr. David. The motion carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.
- 1309.7.5 **Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2013 Business Meeting:** Mr. Bailey presented the proposed slate of voting delegates for SACRS. Following past practice, the highest-ranking Board member in attendance at the conference is selected as SamCERA's voting delegate, with the next senior Board member as the alternate. The CEO typically serves as the second alternate.
Action: Mr. Tashman moved to approve the designation of Natalie Kwan Lloyd, as the voting delegate, Lauryn Agnew as the first delegate alternate and David Bailey as the second delegate alternate to vote on behalf of SamCERA at the Fall 2013 SACRS conference. The motion was seconded by Mr. David and carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.

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- 1309.7.6 **Approval to Cancel the November Meeting and Reschedule the October and December Meetings of the Board of Retirement:** Mr. Bailey discussed the upcoming schedule of Board meetings in October, November and December. The proposed schedule would eliminate the November meeting and reschedule the December meeting to December 10; in addition the October 22 meeting would be moved to October 29 to assure a quorum.
Action: Mr. Tashman moved to cancel the November meeting and reschedule the meetings in October and December. The motion was seconded by Mr. David, and carried with a vote of 7-0 with Agnew, Arnott, David, Hackleman, Miller (for Spinello), Settles and Tashman in favor, none opposed, and Bowler and Kwan Lloyd absent.
- 1309.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that staff, together with County officials, were making progress on the MOU regarding supplemental contributions from the County. He also reported that staff was researching PEPPA provisions to assess their application regarding a retired member who was convicted of a felony.
- 1309.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that as a result of SB 1382, the County retiree group, SCORPA, was working with staff about communicating with SamCERA retirees. Mr. Hood let the Board know SamCERA staff would be at the County benefits fair in mid-October, and that member statements were mailed at the end of August.
- 1309.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported his participation at the CALAPRS CIO's Roundtable and the formation of a working group to explore collaboration for aggregate funding and reduced costs for some investments. He also let the Board know annual reviews for alternative managers would be held in October.
- 1309.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported her attendance at two CALAPRS roundtables. She spoke at the Trustees' Roundtable and attended the Attorneys' Roundtable.
- 1309.9 **Report on Actions Taken in Closed Session:** The Board did not meet in Closed Session.
- 1308.10 **Adjournment:** With no further business, Ms. Agnew adjourned the meeting at 4:30 p.m., in memory of the following deceased members:

Stewart, Eileen	May 18, 2013	Human Services Agency
Lewis, Burner	August 9, 2013	Ben. of Willie Lewis
Pitts, Frances	August 7, 2013	Sheriff's Office
Cavallero, Miriam	August 19, 2013	Beneficiary of Raymond Cavallero
Kenny, Laverne	August 19, 2013	Courts
Judge, Catherine	August 20, 2013	Libraries
Anderson, William	August 22, 2013	Health Services
Wethington, Jerome	August 31, 2013	Hospital
O'Keefe, John	August 31, 2013	Probation



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary