

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 7, 2016 – REGULAR BOARD MEETING MINUTES

1606.1 **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, Paul Hackleman, Susan Lee (for Natalie Kwan Lloyd), Michal Settles, David Spinello, and Shirley Tourel.

Excused: Sandie Arnott, Ben Bowler, Natalie Kwan Lloyd, and Eric Tashman

Alternates present: Alma Salas.

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

Consultants: Margaret Jadallah, Stephen Quirk, Faraz Shooshani, Joe Abdou and John Nicolini (*Verus*); Nick Collier (*Milliman, Inc.*) and Will Morrow (*LRWL*).

1606.1.1 **Appointment by Chair of Ad Hoc Nominating Committee for Board Officers:** Mr. Hackleman reported that the Ad Hoc Nominating Committee would be comprised of Trustees Arnott, Battey and Tourel, with Ms. Arnott as the Chair.

1606.2.1 **Oral Communications from the Board:** Mr. Battey reported attending the Wharton Portfolio Concepts and Management program in Philadelphia, May 2-5, 2016. Ms. Tourel also reported her attendance at the same Wharton program. Mr. Spinello and Ms. Settles reported their attendance at the GFOA Annual Conference, in Toronto, Ontario, on May 19-24, 2016. Mr. Spinello and Ms. Lee reported their attendance at the SACRS Spring Conference in Costa Mesa, on May 8-10, 2016. Ms. Settles also reported her attendance at the Skybridge Alternatives (SALT) Conference in Las Vegas, May 10-12, 2016.

1606.2.2 **Oral Communications from the Public:** Ms. Salas reported her attendance at the SACRS Spring Conference and the GFOA Annual Conference.

1606.3.1 **Approval of Special Board Meeting Minutes from April 26, 2016:**

1606.3.2 **Approval of Special Board Meeting Minutes from April 27, 2016:** Mr. Hackleman asked if there were any changes or corrections to the minutes from April 26 or April 27, 2016 and none were noted. **Action:** Mr. Spinello moved to approve the minutes from both meetings, April 26 and April 27, 2016; the motion was seconded by Ms. Settles. The motion carried with a vote of 6-0 with trustees Battey, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello, and Tourel all in favor; none opposed.

1606.4.0 **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. Settles. The motion carried with a vote of 6-0 with trustees Battey, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello, and Tourel all in favor; none opposed.

1606.4.1 Disability Retirements

a) The Board found that Linda Macapagal is (1) permanently incapacitated from the performance of her usual and customary duties as a Social Worker III, (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 that Shahrokh Pakdaman is (1) permanently incapacitated from the performance of his usual and customary duties as a Revenue Collector II, (2) found that his disability was not result of an injury arising out of and in the course of his employment and (3) granted his application for a non-service-connected disability retirement.

c) The Board found that Paul Strobeck is (1) permanently incapacitated from the performance of his usual and customary duties as an Information Technology Manager, (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.

d) The Board found that Randy Underwood is (1) permanently incapacitated from the performance of his usual and customary duties as a Park Ranger, (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.

e) The Board found that Anna Wilson is (1) permanently incapacitated from the performance of her usual and customary duties as a Staff Nurse, (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.

f) The Board found that Irene Welker is (1) permanently incapacitated for the performance of her usual and customary duties as a Legal Word Processor, (2) found that her disability was not a result of an injury arising out of and in the course of her employment, (3) denied her application for a service-connected disability retirement, and (4) granted her a non-service-connected disability retirement.

g) The Board (1) found the heart presumption contained in Government Code section 31720.5 applies, (2) found that there is not sufficient evidence to rebut the presumption; (3) found that David Fletcher's employment substantially contributed to his death; and (4) granted the application for a service-connected death benefits to his surviving spouse, Kimberly Fletcher.

1606.4.2 Service Retirements:

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

Member Name	Effective Retirement Date	Department
Amborn, Susann	March 31, 2016	Aging & Adult Services
Ames, Patricia	April 1, 2016	Behavioral Health
Balestieri, Stephen	April 1, 2016	Public Works
Bautista, Glenn	April 1, 2016	Probation
Bergeson, Wendy	March 31, 2016	Deferred from Medical Center
Bertolozzi, Debra	April 1, 2016	Probation
Bobadilla, Johnny	March 31, 2016	Public Works
Cachuela, Vicente	April 1, 2016	Public Works
Cisneros, Maria T.	April 1, 2016	Medical Center
Coleman, James	March 29, 2016	Probation
Compton, Irma	April 1, 2016	Planning & Building
Contreras, Francisca	March 31, 2016	Planning & Building
Cornell, Gregory	March 26, 2016	Public Works
Crandall, Deborah	April 30, 2016	Human Services Agency
Delgado, Fernando	March 27, 2016	Medical Center
Domeniconi, John	April 1, 2016	Probation
Dominguez, Socorro	April 1, 2016	Medical Center
Downing, Judith	April 1, 2016	Human Services Agency
Duval, Kenneth	April 1, 2016	Public Works
Dwyer, Eleanor	April 1, 2016	Behavioral Health

Erdozaincy, Rose	April 1, 2016	Environmental Health
Foster, Ellis	March 31, 2016	Public Works
Gomar, Jorge	April 1, 2016	Environmental Health
Gordon-Wendt, Margie	March 31, 2016	Aging & Adult Services
Grant, Pamela	March 31, 2016	Behavioral Health
Gregory, Vaughn	March 5, 2016	Deferred from Superior Court
Halili, Ricardo	March 19, 2016	Superior Court
Hayward, Mary Linda	April 1, 2016	Sheriff's
Hinshaw, Melville	April 1, 2016	Sheriff's
Huffman, Mark	April 1, 2016	Medical Center
Hult, John	March 30, 2016	Superior Court
Innes, John	April 1, 2016	Assessor's
Javier, Goodwin	April 1, 2016	Assessor's
Javier, Susan	April 1, 2016	Human Services Agency
Jayme, Michael	April 1, 2016	Probation
Johnson, Kathryn	April 1, 2016	Sheriff's
Kataoka, Hal	March 31, 2016	Human Services Agency
Kelly, Cassandra	March 18, 2016	Human Services Agency
Keohane, Darlene	April 1, 2016	Human Services Agency
Khan, Lisa	April 1, 2016	Public Health
Lee, Henry	April 1, 2016	Sheriff's
Lent, William	April 1, 2016	Environmental Health
Lopez, Juan	March 18, 2016	Sheriff's
Low, Karin	April 1, 2016	Aging & Adult Services
Machado, Pamela	March 25, 2016	Public Health
Manuel, Noel	March 26, 2016	Public Works
Masingale, Edmon	April 1, 2016	Superior Court
Mazzetta, James	April 1, 2016	Planning & Building
McKee-Parks, Craig	April 30, 2016	Deferred from Sheriff's
Melnicoe, Shirley	April 17, 2016	Deferred from Co. Manager Office
Merritt, Nancy	March 31, 2016	Deferred from Probation
Miller, Theresa	April 1, 2016	District Attorney
Mostert, Suzanne	April 1, 2016	Medical Center
Napior, Linda	March 31, 2016	Library
O'Meara, Patrick	March 26, 2016	Information Services
Perez, Alfredo	April 26, 2016	Deferred from Social Services
Pulido, Minerva	April 1, 2016	Deferred from Medical Center
Risting, Sonia	March 31, 2016	Superior Court
Romero, Elisa	March 31, 2016	Medical Center
Ruggiero, Grazia	March 31, 2016	Public Works
Sajuthi, Sri	March 26, 2016	Medical Center
Schofield, Georgette	April 19, 2016	Deferred from Sheriff's
Snead, Jill	March 31, 2016	Deferred from Medical Center
Solis, Elizabeth	April 1, 2016	Family Health
Stokes, Vicky	March 31, 2016	Information Services
Sumner, Elizabeth	March 19, 2016	Superior Court
Thaw, Robyn	March 30, 2016	Public Health
Thompson, Dorothy	March 31, 2016	Medical Center
Thoresen, Christine	April 1, 2016	District Attorney
Vallero, Maria	April 1, 2016	Aging & Adult Services
Vargas, Janie	April 1, 2016	Public Works

Velasco, Raymond.	March 2, 2016	Deferred from Medical Center
Villar, Thelma	March 26, 2016	Housing
Webb, Lois	April 1, 2016	Medical Center
Williams, Lisa	March 31, 2016	Sheriff's
Williams, Vera	March 31, 2016	Family Health
Wise, Terumi	April 1, 2016	Deferred from Sheriff's
Yunker, Naomi	April 1, 2016	Medical Center
Zolotoff, Roxana	April 1, 2016	Medical Center
Zych, Peter	March 31, 2016	Medical Center

1606.4.3 **Continuances:**

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

Survivor's Name	Beneficiary of:
Bodey, Margaret	Bodey, Charles
Kato, Roy	Kato, Grayce
Kelly, Dana	Handley, Chantal
Kennon, Jimmie Ray Sr.	Kennon, Lana
McReynolds, Evia	McReynolds, Sol
Schowengerdt, Sandra	Schowengerdt, Harold
Vice, James	Torburn, Zora-Mae

1606.4.4 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Gonzalez, Gabriel A.	G7, Non-vested - Reciprocity
Gonzalez, Laura	G4, Vested
Pena, Joe M.	G7, Non-vested - Reciprocity
Pimentel, Scott M.	G4, Vested
Stolte, Stephen W.	G7, Non-vested - Reciprocity
Zaremba, Kecia N.	G4, Vested – Reciprocity

1606.4.5 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Asbury, Joanne	G4, Vested
Garwin, Marissa	G7, Non-vested
Langi, Maria	G7, Non-vested
Lopez, Jose	G2, Vested
Mendizabal, Maria	G4, Vested
Mendoza, Zaida	G7, Non-vested
Pedrini, Pamela (FBO: Lynn Dowding)	G4, Vested
Pedrini, Pamela (FBO: Rhoda Dowding)	G4, Vested
Sarabi, Pouya	G7, Non-vested
Segura, Tara	G4, Vested
Vergara, Luis	G4, Vested
Villa, Ricardo	G7, Non-vested

1606.4.6 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Dominguez, Leslie	G4, Non-vested
Frickle, Cynthia	G7, Non-vested
Marti, Lily	G7, Non-vested
Neal, Jeanette	G5, Non-vested
Takeuchi, Burt	G4, Vested

1606.4.7 **Report on Prepayment of Employer Contributions:** The Board accepted the report on the County's semi-annual prepayments of its estimated employer contribution totaling \$158,255,923 for Fiscal Year 2016-17.

1606.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

1606.5.2 **Approval of Actuarial Assumptions for the June 30, 2016 Actuarial Valuation:** Mr. Collier reviewed the recommended actuarial assumptions with the Board. He went over Milliman Inc.'s report in detail, explaining the benefits and costs associated with a reduction to the assumed investment return rate. Mr. Collier discussed both the 7% and the 6.75% assumption rate scenarios. Board discussion followed. Members of the audience were given an opportunity to comment. The only comment came from Jim Saco, representing the County Manager's Office, who stated he was comfortable with a reduction to 7%. Mr. Hood reported that he had reached out to the other employers, and heard no objections.

Action: It was moved by Mr. Battey to approve the recommended actuarial assumptions as follows: investment return assumption, 7%; price inflation, 2.75%; general wage growth, 3.25%; payroll growth, 3.25%; COLA Plan 1, 2.75%; COLA Plan 2, 2.65%; COLA Plan 3, N/A; COLA Plans 4,5,6 & 7, 1.9%. The motion was seconded by Ms. Settles, and carried with a vote of 6-0 with trustees Battey, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello, Tourel all in favor; none opposed.

The Board took a short break at 11:05 a.m. and reconvened at 11:17 a.m. At that time, item 6.5 was heard out of order. The remainder of the items were heard in the order they appear below.

1606.6.5 **Presentation of Private Asset Semi-Annual Performance Reports as of December 31, 2015:**

Mr. Shooshani reviewed the report on private equity in detail with the Board. Mr. Nicolini followed and presented the report on SamCERA's private real assets portfolio. Discussion with the Board members followed. This item was informational and for discussion only, no action was taken.

1606.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended April 30, 2016:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for April was 1.3%, while the preliminary trailing twelve-month return ending April 2016 was -0.78% net. The twelve-month net return is higher than SamCERA's Total Plan Policy Benchmark return of -0.84%, but below the Actuarial Assumed Earnings Rate of 7.25%. This item was informational and for discussion only, no action was taken.

1606.6.2 **Quarterly Investment Performance Report for the Period Ended March 31, 2016:** Mr. Quirk and Ms. Jadallah went over the quarterly report - reviewing managers' performance, talking about market trends and conditions, and discussing details of the report with the Board. The 1st quarter net total return for the SamCERA portfolio was 1.3%. This item was informational and for discussion only, no action was taken.

The Board adjourned into closed session at 11:59 a.m., to hear item 6.6. The Board remained in closed session until 12:25 p.m., and then took a break for lunch from 12:25 p.m. until 1:15 pm. When the Board reconvened at 1:15 p.m., Ms. Carlson reported the action taken by the Board at that time.

1606.6.6 **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, and Ms. Carlson reported the following action was taken:

Action: Mr. Battey made a motion to approve an investment of \$35 million in TCP Direct Lending Fund XIII. The motion was seconded by Ms. Tourel, and carried with a vote of 5-1, with trustees Battey, Hackleman, Lee (for Kwan Lloyd) Settles and Tourel, all in favor; and Spinello, opposed.

1606.6.3 **Report on Real Estate Annual Review:** Ms. Ng reported that staff met with representatives from INVESCO in April, to discuss performance, personnel changes and the Value-Add Real Estate fund that was added in December 2015. 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.

1606.6.4 **Report on Core Equity Annual Reviews:** Ms. Ng reported that staff met with representatives from Blackrock and D.E. Shaw on March 5, 2016. The discussion included performance review, personnel changes and investment strategies. 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.

1606.6.7 **Report on Small-Capitalization Core Equity Manager Search:** Mr. Coultrip reviewed the previous discussion and direction that staff received from the Board, in regard to reducing the number of managers in our domestic equity program to five from six. After receiving responses to questionnaires, staff and the consultant have done further due diligence and plan on performing on-site due diligence on the finalist strategy. Staff will return to the Board for approval when the process is complete. This item was informational and for discussion only, no action was taken.

1606.6.8 **Discussion on SamCERA's Risk Tolerance and Direction to Staff:** On May 25th, Verus emailed a risk tolerance survey to Board members and select staff members. Survey results were included in the "Day of Meeting" folder. Ms. Jadallah reviewed the survey results and led the discussion around SamCERA's risk tolerance assessment. This item was informational and for discussion only, no action was taken.

- 1606.6.9 **Report on Proxy Voting Summary for the Period Ended March 31, 2016:** Ms. Ng presented the proxy voting report, and inquired as to how the Board would like to receive this report going forward. It was suggested that the report be included on the consent agenda in the future and taken off for discussion if needed. This item was informational and for discussion only, no action was taken.
- 1606.7.1 **Approval of SamCERA Fiscal Year 2016-17 Budget:** Ms. Chow reviewed the three components of SamCERA's budget (Professional Services, Administrative and Technology) and discussed the changes from last year within each category. SamCERA's FY 2016-17 Budget totals \$36 million, an increase of \$3.4 million (or 11%) compared to the prior fiscal year.
Action: Ms. Settles moved to approve the budget as presented for FY 2016-17. The motion was seconded by Ms. Tourel and carried by a vote of 6-0, with trustees Battey, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello and Tourel, all in favor; none opposed.
- 1606.7.2 **Approval of SamCERA's Updated Strategic Plan:** Mr. Hood presented the updated Strategic Plan for FY 2016-17 to the Board.
Action: Mr. Battey moved to approve SamCERA's Strategic Plan for Fiscal Year 2016-2017. The motion was seconded by Ms. Settles and carried with a vote of 6-0 with trustees Battey, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello, and Tourel all in favor; none opposed.
- 1606.7.3 **Approval of a Resolution Amending the Procurement Policy:** Mr. Hood explained the proposed amendment to the procurement policy, which will further clarify that the CEO is delegated authority to enter in contracts for additional types of investment related services; those services are not clearly authorized in the current policy.
Action: Mr. Battey moved to adopt the resolution amending the "Policy for Procurement and Contracting for Certain Goods and Services." The motion was seconded by Mr. Spinello and carried with a vote of 6-0 with trustees Battey, Hackleman, Lee (for Kwan Lloyd), Settles, Spinello, and Tourel all in favor; none opposed.
- 1606.7.5 **Approval of Change to the July Board Meeting Date:** Mr. Hood and the Board discussed rescheduling the Board of Retirement regular meeting date from July 26th, to either July 27th or July 28th due to planned absence of several trustees and the result of attendance surveys. Three motions were made on this item, as follows:
Action: 1) Mr. Battey moved to change the meeting date to Wednesday July 27th at 2:00 p.m. The motion was seconded by Ms. Settles and failed to receive a quorum, with a vote of 4-2, with trustees Battey, Hackleman, Settles and Tourel in favor; Lee (for Kwan Lloyd) and Spinello opposed.
2) Mr. Spinello moved to change the meeting date to Thursday, July 28th at 10:00 a.m. The motion was seconded by Ms. Lee (for Kwan Lloyd) and also failed, with trustees Lee and Spinello in favor, and Battey, Hackleman, Settles and Tourel opposed.
3) Mr. Battey revisited his first motion, and again moved to change the meeting date to Wednesday July 27th at 2:00 p.m. The motion was seconded by Ms. Settles and carried with a vote of 5-1, with trustees Battey, Hackleman, Lee (for Kwan Lloyd) Settles and Tourel in favor; and Spinello opposed.
- 1606.7.4 **Report on Status of Pension Administration Software System Project:** Mr. Morrow updated the Board on the status of the PASS project, reporting that the project was 73% complete and 60% has been billed. The project continues on schedule and within budget, and is currently in Phase 3. This item was informational and for discussion only, no action was taken.
- 1606.8.1 **Chief Executive Officer's Report:** Mr. Hood reported that SamCERA has again received the Government Finance Officers Association award for its annual Comprehensive Annual Financial Report (CAFR), and thanked the staff members who worked on the CAFR. He commented on the items in the "Day of Meeting" folder, including upcoming educational opportunities with SACRS and CALAPRS, and noted he would be at the CALAPRS Administrators' Round Table on June 24th.

- 1606.8.2 **Assistant Executive Officer's Report:** Ms. Smith updated the Board on the upcoming election for the Third Member seat, and reported that Mr. Hackleman and Ms. Salas ran unopposed for the Eighth Member seat and the Eighth Member alternate, respectively and deemed reelected. She stated that an evaluation survey regarding this year's Board/Staff retreat was in the Board member's folders and would also be emailed to them. Ms. Smith reported that a candidate has been recruited for the position of Retirement Accountant.
- 1606.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that Verus would conduct an educational presentation with the Board in July.
- 1606.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board on the status of the SACRS sponsored legislation, reporting that the bill had passed in the Assembly.

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.
- 1606.9 **Report on Actions Taken in Closed Session:** See item 6.6.
- 1606.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 2:51 p.m. in memory of the deceased members listed below.

Magulac, Ruth	April 1, 2016	Hospital
Franklyn, Bernard	April 8, 2016	Aging & Adult Services
Sharp, Nellie	April 11, 2016	Courts
Volkman, Ida	April 11, 2016	Chope Hospital
Heimann, Bonita	April 14, 2016	Courts
Amores, R. E.	April 19, 2016	Social Services
Morton, Harry	April 21, 2016	Treasurer
Brewer, Shay	April 25, 2016	Human Services
Murphy, Richard	April 27, 2016	Parks
Orosco, Maxine	April 28, 2016	Superior Court
Lombardo, Joseph	April 29, 2016	General Services
Selk, Jack	May 3, 2016	Juvenile Hall
Henderson, Beatrice	May 8, 2016	Public Health
Ward, Bernice	May 10, 2016	Social Services


 Scott Hood
 Chief Executive Officer


 Kristina Perez
 Retirement Executive Secretary