

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

JULY 24, 2018 – REGULAR BOARD MEETING MINUTES

1807.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Mark Battey, Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Mark Battey, Ben Bowler, Albert David, Alma Salas (for Paul Hackleman), Kurt Hoefer, Katherine OMalley, Robert Raw and Eric Tashman.

Absent: Sandie Arnott and Paul Hackleman.

Alternates present: Susan Lee and Alma Salas.

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

Consultants and speakers: Margaret Jadallah and Stephen Abdou (Verus).

1807.1.1 Administration of Oath of Office to Newly Elected and Reappointed Trustees: Mr. Wozniak administered the oath of office to reappointed trustees Mark Battey (Sixth Member) and Eric Tashman (Fourth Member), as well as newly elected trustees Katherine OMalley (Second Member), Robert Raw (Seventh Member) and Susan Lee (Seventh Member Alternate).

1807.1.2 Election of Board Officers: Mr. Hoefer, Chair of the Ad Hoc Nominating Committee reported to the Board that the committee, consisting of Ms. Arnott, Ms. Salas and himself, discussed candidates for the officer positions. They recommended the following slate of officers for the term ending June 30, 2019: Sandie Arnott, Chair; Kurt Hoefer, Vice Chair; and Al David, Secretary. There were no other nominations made.

Action: Mr. Tashman moved to approve the nominations of Sandie Arnott, Chair; Kurt Hoefer, Vice Chair; and Al David, Secretary. The motion was seconded by Mr. David. A roll call vote was taken. The motion carried by a vote of 8-0.

AYES: Battey, Bowler, David, Salas, Hoefer, OMalley, Raw and Tashman.

NOES: None.

The remainder of the meeting was chaired by Mr. Hoefer.

1807.1.3 Announcement of Appointment of Board Committees: Mr. Hoefer advised the announcement of Board committees will be done by Ms. Arnott at the next Board meeting.

1807.2.1 Oral Communications from the Board: None.

1807.2.2 Oral Communications from the Public: None.

1807.3.1 Approval of Board Meeting Minutes: Mr. Hoefer asked if there were any changes or corrections, or objections, to the meeting minutes from the Board meeting held on May 22, 2018.

Action: Mr. Bowler moved to approve the minutes from the Board Meeting on May 22, 2018. The motion was seconded by Ms. Salas and carried with a vote of 7-0-1, with trustees Battey, Bowler, David, Hoefer, OMalley, Raw and Salas, all in favor; Mr. Tashman abstained; none opposed.

1807.4.0 Approval of the Consent Agenda: Mr. Hoefer asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed. Prior to the vote Mr. Tashman requested that staff inform the County of the costs of disability retirements and to ensure that the County is

providing accommodations wherever possible so that members can remain employed rather than apply for disability retirement.

Action: Mr. Battey moved to approve the items on the Consent Agenda, and the motion was seconded by Mr. David. The motion carried with a vote of 8-0, with trustees Battey, Bowler, David, Hoefler, OMalley, Raw, Salas and Tashman, all in favor; none opposed.

1807.4.1 **Disability Retirements:**

- a) The Board found that Larry Burriss is (1) permanently incapacitated from the performance of his usual and customary duties as a Legal Office Specialist, (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.
- b) The Board found that Marie Castellanos is (1) permanently incapacitated from the performance of her usual and customary duties as a Benefits Analyst II, (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.
- c) The Board found that Mario Cousenes is (1) permanently incapacitated from the performance of his usual and customary duties as a Custodian, (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 Luz Hart is (1) permanently incapacitated from the performance of her usual and customary duties as a Licensed Vocational 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.
- e) The Board found that Debbie Liljegren-Cullen is (1) permanently incapacitated from the performance of her usual and customary duties as an Airport Operations Specialist II, (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 Ines McMacken is (1) permanently incapacitated from the performance of her usual and customary duties as a Human Services Agency Supervisor, (2) found that her disability was not the result of an illness arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.

1807.4.2 **Survivor Death Benefits:** None.

1807.4.3 **Service Retirements:**

Member Name	Effective Retirement Date	Department
Boyd, Susie	April 18, 2018	Deferred from Parks
Calderon-Sanchez, Maria	May 11, 2018	Assessor
Ervin, Rose	May 15, 2018	Deferred from Medical Center
Espiritu, Catalina	April 30, 2018	Deferred from Medical Center
Fletcher, Sherry	June 1, 2018	Deferred from District Attorney
Ganiban, Carolina	April 25, 2018	Deferred from Assessor

Houston, George	May 8, 2018	Deferred from Sheriff's Office
Kettering, David	April 22, 2018	Sheriff's Office
Kittell, Elihu	May 15, 2018	Sheriff's Office
Myers, Karen	May 21, 2018	Deferred from Medical Center
Raines, Marcia	April 7, 2018	Deferred from Environmental Health
Ramos, Beverly	May 1, 2018	Deferred from Mental Health
Rodriguez, Vicente	April 20, 1998	Agriculture Weights and Measures
Sterling, Prime	April 12, 2018	Public Works
Van Der Schoor, Patricia	June 1, 2018	Superior Court

1807.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Aleman, Abit	Gayle, Linford
Belding, Debra	Belding, James
Burton, Nadene	Burton, Stephen
Fornes, Roseanna	Fornes, Kevin
Gregory, Jonathan	Gloria, Emilia
Survivor's Name	Beneficiary of:
Aleman, Abit	Gayle, Linford

1807.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Ortiz-Gutierrez, Maricela	G7, Non-vested - Reciprocity
Smith, Sean Robert	G4, Vested - Reciprocity
Hart, Colin	G7, Non-vested - Reciprocity
Perkins, Maya J.	G4, Vested
Levintov, Irene L.	G4, Vested

1807.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Blank, Martin	G7, Non-vested
Carranza de Guzman, Maria	G4/G3, Non-vested
Cervantes-Mansberger, Gerardo	G7, Non-vested
Dela Cruz, Corina	G7, Non-vested
Grayson, Cathy (FBO: Gladys Grayson)	G2, Vested
Hernandez, Guadalupe	G7, Non-vested
Kamerschen, Vanessa	G7, Non-vested

1807.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Anjomshoaa, Andrea	G7, Non-vested
Baskin, Liane	G7, Non-vested
Desai, Natasha	G4, Non-vested
Phan, Jane	G7, Non-vested
Williams, John	G7, Non-vested

1807.4.8 **Member Account Redeposits:** None.

1807.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activities attended by trustees Arnott, Battey, David, Hoefer, Lee, Salas and Spinello.

1807.4.10 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2018:** The Board accepted the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers and investment consultant, as of June 30, 2018.

1807.4.11 **Approval of Resolution Amending Records Retention Policy and Reaffirmance of Code of Conduct:** The Board reaffirmed its Code of Conduct and approved a resolution amending the Records Retention Policy.

1807.4.12 **Approval to Reaffirm Conflict of Interest Code:** The Board reaffirmed SamCERA's Conflict of Interest Code.

1807.4.13 **Approval of 8th Amendment to Contract with Vitech Systems Group, Inc.:** The Board approved a resolution authorizing the Chief Executive Officer to execute an Eighth Amendment to the agreement with Vitech Systems Group, Inc. ("Vitech") increasing the total up to \$12,000,000 for all services from May 1, 2014 through December 31, 2021.

1807.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** None.

1807.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended June 30, 2018:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for June 2018 was -0.5%, bringing the preliminary trailing twelve-month return ending June 2018 to 6.6% net. The preliminary twelve-month net return is below both SamCERA's Plan Benchmark return of 8.3% and SamCERA's Actuarial Assumed Earnings Rate of 6.75%. Staff will be providing more detail on SamCERA's fiscal-year absolute and benchmark-relative performance next month. This item was informational and for discussion only, no action was taken.

1807.6.2 **Report on SamCERA's Securities Lending Program:** Ms. Dames discussed the report on SamCERA's Securities Lending Program. Ms. Dames informed the Board that in the eleven years since inception, the securities lending program has earned \$7.0 million for SamCERA. During the fiscal year ended June 30, 2018, the program earned \$43,329 which is a 4.3% decrease from last fiscal year's earnings of \$45,271. At the end of last fiscal year (June 30, 2017), securities lending utilization had dropped to zero due to a combination of factors that year. Upon speaking with Northern Trust, two changes were made to the securities lending guidelines to allow increased securities lending utilization. Overall, staff is satisfied with the Securities Lending Program parameters. This item was informational and for discussion only, no action was taken.

- 1807.6.3 **Report on the Core Equity and Passive Manager Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's Core Equity and Passive Managers. Staff met at SamCERA's offices with D.E. Shaw, Quantitative Management Associates (QMA), and Blackrock on May 3, 2018. Each meeting consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. There were no major concerns identified during the reviews. This item was informational and for discussion only, no action was taken.
- 1807.6.4 **Report on the International Equity Manager Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual review reviews of SamCERA's International Equity Managers. Staff met at SamCERA's offices with Baillie Gifford and Eaton Vance Parametric on June 7, 2018; and with Mondrian on June 14, 2018. Each meeting consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. There were no major concerns identified during the reviews. There was discussion regarding the current and potential future China weighting in the emerging market index, and the current underweighting to China in SamCERA's emerging markets portfolio. This item was informational and for discussion only, no action was taken.
- 1807.6.5 **Educational Presentation on Low Volatility Equity:** Ms. Jadallah and Mr. Abdou provided an educational presentation on low volatility equity. They discussed the evolution of factor investing, the academic underpinnings of the low volatility anomaly, the persistency of the low volatility factor and the various ways to implement a low volatility equity approach.

The meeting was adjourned for break at 11:03 a.m. and reconvened at 11:13 a.m.

- 1807.7.1 **Approval of Board Strategic Plan:** Mr. Hood discussed the proposed "Vision" statement as well as the proposed Board level Strategic Plan for 2018-2023 with the Board and welcomed any comments or suggestions. He also thanked SamCERA's newly hired Communications Specialist, Natasha Jeong, for assisting in the creation of the graphics to convey the plan.

Action: Mr. David moved to approve the proposed "Vision" statement and the proposed Board of Retirement Strategic Plan for 2018-2023. The motion was seconded by Mr. Bowler and carried with a vote of 8-0, with trustees Battey, Bowler, David, Hoefer, OMalley, Raw, Salas and Tashman all in favor; none opposed.

- 1807.7.2 **Report on Staff's Strategic Plan Implementation:** Mr. Hood discussed the status on the two-year Staff Strategic Plan for Fiscal Years 2017-2018 and 2018-2019. Prior to the approval of the Board Strategic Plan, staff has been using the Mission and Goals to drive the staff's strategic planning process. With the approval of the Board's Strategic Plan, staff can now integrate the SamCERA's Strategic Plan with the Board's focus priorities.

- 1807.7.3 **Approval of Trustee Request for Attendance at a Conference not on the Approved List:** Mr. Hoefer reviewed the requests to attend the Public Funds Forum submitted by Ms. Lee.

Action: Ms. Salas moved to approve the request submitted by Ms. Lee to attend the Public Funds Forum. The motion was seconded by Mr. Raw. A roll call vote was taken. The motion carried by a vote of 6-2. AYES: Bowler, David, Hoefer, OMalley, Raw and Salas. NOES: Battey and Tashman.

- 1807.8.1 **Chief Executive Officer's Report:** Mr. Hood mentioned he had forwarded a copy of the Grand Jury Report to the Board and responses to the report need to be submitted by mid-October. Staff has drafted responses that will be presented to the Board at its August meeting. Mr. Hood also called attention to

the items in the Day of Meeting folder including the Roeder Financial Report and the memo regarding spousal benefits for active member death benefits. He mentioned that SamCERA's actuarial contract will be expiring at the end of this year and a Request for Proposal (RFP) process will commence later this year. Lastly, Mr. Hood noted that he and Mr. Raw will be attending the Wharton Investment Seminar in San Francisco.

- 1807.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported the auditors, Brown Armstrong, have begun their interim audit. She also advised the recruitment for a Retirement Specialist is underway due to a staffing vacancy.

Ms. Trujillo reminded Board members about upcoming educational events and included a list outlining the Board education events for the new fiscal year in the Day of Meeting folder. She also requested Board members complete the Emergency Contacts form.

- 1807.8.3 **Chief Investment Officer's Report:** Mr. Coultrip informed the Board that staff will be funding the MLP Strategy in July. Cushing Asset Management has been hired to manage an \$80 million MLP portfolio, which will be funded 50% from TIPS and 50% from liquid real assets. He advised that he will be sending the Board the recommendation via email. Mr. Coultrip also reported SamCERA has received the \$98.2 million from the County for its prepayment and discussed how the money will be allocated. He also advised the Board of an upcoming Risk Dashboard that will be presented to the Board later this year.

- 1805.8.4 **Chief Legal Counsel's Report:** Ms. Carlson briefly gave an update on appellate cases addressing the application of PEPRA, felony forfeiture procedures, and collections of pension overpayments.

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

- 1805.9.0 **Report on Actions Taken in Closed Session:** None.

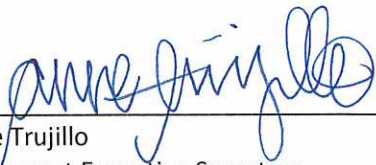
- 1805.10 **Adjournment:** Mr. Hoefler adjourned the meeting at 11:54 a.m. in memory of the deceased members listed below.

Umblas, Eusebia	April 22, 2018	Controller's
Rushin, Pauline	April 26, 2018	Chope Hospital
Gallant, Michael	April 28, 2018	Probation
Burton, Stephen	May 2, 2018	Sheriff's
Anderson, Icelyn	May 10, 2018	Crystal Springs Rehab Center
Cougoule, Gary	May 14, 2018	Sheriff's
Holmes, Alice	May 17, 2018	County Manager's Office
Ayala, Joe	May 22, 2018	Chope Hospital
Frank, Kenneth	May 24, 2018	Sheriff's
Fisher, Maxine	May 29, 2018	Health Services
Peck, Michael	June 2, 2018	Sheriff's
Kofahl, Jeanette	June 5, 2018	Controller's
Nicholas, George	June 5, 2018	Probation

Ference, Georgene	June 10, 2018	County Manager
Ali, Margarita	June 15, 2018	Superior Court
King, Genevieve	June 16, 2018	Social Services
Ritchie, Iva	June 18, 2018	County Clerk
Cornyn, Virginia	June 23, 2018	Public Health
Henry, Estella	June 24, 2018	Crystal Springs Rehab Center
Duggan, Kevin	June 26, 2018	Information Services
Burkhart, Hannah	June 30, 2018	General Services
Cougoule, Ruth	July 7, 2018	Courts
Hamilton, Arloene	July 9, 2018	Library



Scott Hood
Chief Executive Officer



Anne Trujillo
Retirement Executive Secretary