

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
JUNE 6, 2017 – REGULAR BOARD MEETING MINUTES

1706.1 **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, Albert David, Paul Hackleman, Kurt Hoefler, David Spinello, Eric Tashman and Shirley Tourel.

Excused: Sandie Arnott, Ben Bowler.

Alternates present: Susan Lee, Alma Salas.

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

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

1706.2.1 **Oral Communications from the Board:** None.

1706.2.2 **Oral Communications from the Public:** None.

1706.3.1 **Approval of Board Meeting Minutes from April 25 and April 26, 2017:** Mr. Hackleman asked if there were any changes or corrections to the minutes from April 25 & 26, 2017. None were noted.

Action: Mr. David moved to approve the minutes from April 25 & 26, 2017; the motion was seconded by Ms. Tourel and carried with a vote of 7-0, with trustees Battey, David, Hackleman, Hoefler, Spinello, Tashman, and Tourel in favor; none opposed.

1706.4.0 **Approval of the Consent Agenda:** Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and the disability application of Jeffery Edralin was removed (see Item 5.1).

Action: Mr. Tashman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. David. The motion carried with a vote of 7-0, with trustees Battey, David, Hackleman, Hoefler, Spinello, Tashman, and Tourel in favor; none opposed.

1706.4.1 **Disability Retirements:**

- a) The Board found that Roy Galleguillos is (1) permanently incapacitated for the performance of his usual and customary duties as a Utility Worker II, (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 that Marc Mullaney is (1) permanently incapacitated from the performance of his usual and customary duties as a Hazardous Materials Specialist III, (2) found that his disability was not result of an illness 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 Leisa Quadt is (1) permanently incapacitated for the performance of her usual and customary duties as a Communications Dispatcher, (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.
- d) The Board found that Veronica Rosaia-Calabrese is (1) permanently incapacitated for the performance of her usual and customary duties as a Court Reporter, (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 that Debra Tucker is (1) permanently incapacitated from the performance of her usual and customary duties as a Lead Office Assistant, (2) found that her disability was not 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.

1706.4.2 **Survivor Death Benefits:** The Board found that Bradford Lew would have been entitled to a non-service connected disability, but died. Helen Cole-Lew, the surviving spouse, has elected to receive an optional death allowance pursuant to Government Code § 31781.1.

1706.4.3 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Arbizu, Margarita	April 1, 2017	Human Services Agency
Atendido, Elsa	April 1, 2017	Human Services Agency
Azar, Suheil	March 28, 2017	Sheriff's
Bachus-Ballard, Carolyn	March 25, 2017	Medical Center
Ballon, Deborah	March 31, 2017	Behavioral Health
Baumgard, Imelda	April 1, 2017	Health Administration
Berg, Juliette	March 25, 2017	Sheriff's
Bradford, Rossi	April 1, 2017	Probation
Castellanos, Marie	April 1, 2017	Human Services Agency
Coffman, James	March 31, 2017	Sheriff's
Cogliati, Kevin	April 1, 2017	Sheriff's
Coyle, Barry	April 1, 2017	Sheriff's
Cruz, Carmelita	April 1, 2017	ACR
Davis, Sharon	March 31, 2017	Human Services Agency
DiLorenzo, Mary	March 17, 2017	Sheriff's
Drayton, Larry	March 31, 2017	Medical Center
Earles, Dwayne	April 1, 2017	Sheriff's
Eaton, Ronnie	March 25, 2017	Deferred from
Ekers, Lisa	March 31, 2017	Deferred from Public Works
Eppes, Karen	April 1, 2017	Medical Center
Flores, Felicitas	March 18, 2017	Human Services Agency
Frechette, Karen	April 1, 2017	Mental Health
Fry, Peggy	March 11, 2017	District Attorney's Office
Gallagher, Thomas	March 31, 2017	Sheriff's
Gomez-Benton, Deborah	April 1, 2017	Family Health Services
Gonzales, Encarnacion	March 31, 2017	Sheriff's
Gonzalez, Maria	April 1, 2017	Health System
Hartman, Maureen	March 30, 2017	Courts
Haynes, Edward	March 31, 2017	Sheriff's
Hess, Carl	March 18, 2017	Health Administration
Ho, Yvonne	March 25, 2017	Housing
Jackson, Edward	April 1, 2017	Medical Center
Jewett, Patricia	March 31, 2017	Public Safety Communications
Johnson, Gary	March 5, 2017	Sheriff's
Jumman, Nur	April 1, 2017	SHF Food Services
Kearns, Stephen	March 31, 2017	Aging & Adult Services
Kong, Gregory	April 1, 2017	Medical Center
Krause, Lori	March 11, 2017	Sheriff's

Service Retirements (con't):

Member Name	Effective Retirement Date	Department
Kuhaiki, Michele	April 1, 2017	Aging & Adult Services
Landeros, Christina	March 31, 2017	Health System
Locker, Jan	March 31, 2017	Superior Court
Lopez, Felipe	April 1, 2017	Human Services Agency
Luft, Pauline	April 1, 2017	Controllers
Maher, Linda	March 31, 2017	Family Health Services
Marks, Carolyn	April 1, 2017	Board of Supervisors
Martinez, Marilu	April 1, 2017	Health System
McTaggart, Patrick	March 30, 2017	Sheriff's
Miller, Abbie	March 31, 2017	Aging & Adult Services
Mitchell, Manuel	April 1, 2017	Public Works
Mulawka, Chester	April 1, 2017	Library
Neal, Patricia	April 1, 2017	Human Services Agency
Neher, Michael	March 29, 2017	Medical Center
O'Rourke, Patrick	April 1, 2017	Sheriff's
Palaby, Melvin	April 1, 2017	Sheriff's
Pierluissi, Edgar	April 1, 2017	Deferred from Medical Center
Puddicombe, Maureen	March 4, 2017	Courts
Ramos, Gary	March 26, 2017	Sheriff's
Randich, Gregory	April 1, 2017	ACR
Roehr, Lesley	April 1, 2017	Probation
Rubio, Margarita	April 1, 2017	Medical Center
Sakuma, Eric	April 1, 2017	Sheriff's
Siat, Racquel	April 1, 2017	Family Health Services
Sims, Frederick	March 31, 2017	Probation
Soberano, Maria	April 1, 2017	Family Health Services
Sorbo, Paul	April 1, 2017	Behavioral Health
Stein, Margaret	March 31, 2017	Medical Center
Stock, Anna	March 31, 2017	Medical Center
Stockand, Carol	March 2, 2017	Deferred from Public Works
Straus, Rob	April 1, 2017	Human Services Agency
Sullivan, Denise	March 2, 2017	Deferred from Human Services
Titus, David	March 26, 2017	Sheriff's
Tokarski, Peter	March 31, 2017	Sheriff's
Tolentino, Lourdes	March 31, 2017	Medical Center
Toscano, Marsha	April 1, 2017	Health Administration
Traube, Lorna	March 25, 2017	Courts
Tucker, Debra	March 14, 2017	Human Services Agency
Watson, Phillip	April 1, 2017	Sheriff's
Weber, Renee	March 25, 2017	Sheriff's
Weiher, Donald	April 1, 2017	Behavioral Health
Wiggins, Antoinette	March 31, 2017	Probation
Witherspoon, Jerome	April 1, 2017	Medical Center
Wong, Stephen	April 1, 2017	Human Services Agency
Worden, Susan	April 1, 2017	Library

1706.4.4

Continuances:

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

Survivor's Name	Beneficiary of:
Lauron, Prescilla	Lauron, Antonio
Mitvalsky, Joyce	Mitvalsky, Derek
Patane, Mario	Patane, Carmen

1706.4.5

Deferred Retirements:

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

Member Name	Retirement Plan Type
Bader, Darren	G4, Vested
Boyo, Toritsesan	G7, Non-vested - Reciprocity
Crapo, Timothy	G5, Vested - Reciprocity
Dabel, Sean	G4, Vested
Dham, Sonia	G4, Vested
Dutaret, Sylvie	G4, Vested
Fong, John	G4, Vested - Reciprocity
Fortin, Thomas	G5, Non-vested - Reciprocity
Foster, Kathleen	G4, Vested – Reciprocity
Gerrodette, Marie	G2, Vested
Gonzales, Jocelyn	G4, Vested
Gonzalez, Amada	S4, Vested – Community Property
Granados, Oskar	G4, Vested
Harary, Sam	G2, Vested
Hayes, Aaron	G4, Vested
He, Jie	G4, Vested
Howton, Nana	G4, Vested
Jasso, Janine	G4, Vested
Jimenez, Joaquin	P4, Vested
Karzen, Laura	G5, Vested - Reciprocity
Kwan Lloyd, Natalie	G4, Vested
Lalaind, Angela	G7, Non-vested - Reciprocity
Martinez, Patricia	G4, Vested
Mayer, Sarat	G4, Vested
Mccord, Heather	G4, Vested
McGovern, Peter	G4, Vested
Miranda, Dereck	G4, Vested
Mosley, Tyasha	G4, Vested
Munoz, Nicole	G4, Vested
Ortiz, Nadia	G4, Vested - Reciprocity
Ou, Shu-Liang	G4, Vested
Pang, Yen	G4, Vested
Patel, Neel	G4, Vested
Pena, Jose	G4, Vested
Perez, Alexander	G4, Vested
Pham, Andrew	G4, Vested
Piazza, Michelle	G4, Vested
Rodriguez, Rebecca	G2, Vested
Ruiz-Vides, Annette	G2, Vested
Saggese, Amy	G4, Vested
Schiantarelli, Jennifer	G2, Vested - Reciprocity
Sholaas, Mary	G4, Vested
Starnes, Susan	G4, Vested

Deferred Retirements (cont.):

Member Name	Retirement Plan Type
Taiby, Hussain	G4, Vested
Taylor, Elizabeth	G4, Vested - Reciprocity
Verdusco, Jose	G4, Vested
Wallingford, Samantha	G4, Vested
Weibel, Lance	G4, Vested - Reciprocity
Wilkins, Megan	G4, Vested
Woodward, Michaela	G4, Vested

1706.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Esquivel, Lisa	G4, Vested
Gatonye, Francis	G7, Non-vested
Halcon, Anthony	G7, Non-vested
Hedstrom, Jessica	G7, Non-vested
Hill, Soledad	G7, Non-vested
Morton, Khadijah	G7, Non-vested

1706.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Artale, Ellie	G4, Non-vested
Eick, Joseph	G7, Non-vested
Fely, Vaitogi	G7, Non-vested
Jones, Grant	G7, Non-vested

1706.4.8 **Member Account Redeposit:** None.

1706.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activities attended by trustees Bowler, Hoefer, Lee and Spinello.

1706.4.10 **Report on Prepayment of Employer Contributions:** The Board accepted the report on the County's prepayments of its estimated employer contribution totaling \$184,066,429 for Fiscal Year 2017-18.

The following agenda items were heard in the order listed below.

1706.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended April 30, 2017:**

Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for April 2017 was 1.3%, while the preliminary trailing twelve-month return ending April 30, 2017 was 12.1% net. This item was informational and for discussion only, no action was taken.

1706.6.2 **Report on Quarterly Investment Performance for the Period Ended March 31, 2017:** Mr. Coultrip, Mr. Quirk and Ms. Jadallah reviewed the quarterly report with the Board. They reviewed manager performance, and discussed market trends and other information from within the report. The 1st quarter net total return for the SamCERA portfolio was 4.8%, which was 50 bps higher than the 4.3% policy benchmark return. This item was informational and for discussion only, no action was taken.

1706.6.3 **Report on Real Estate Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual review of Invesco held on April 13, 2017, at SamCERA's office. She reported that there were no significant concerns identified during the review. This item was informational and for discussion only, no action was taken.

- 1706.6.4 **Report on Core Equity Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's core equity managers (Black Rock, D.E. Shaw and Quantitative Management Associates –QMA) which were held on May 4, 2017, at SamCERA's office. She reported that no significant concerns were identified during the annual reviews. This item was informational and for discussion only, no action was taken.
- 1706.6.5 **Report on Securities Lending Program:** Ms. Dames discussed SamCERA's securities lending program and reviewed the report with the Board. She reported year-to-date earnings for FY16-17, were \$45,289; and have totaled \$6.9 million since inception in July 2007. This item was informational and for discussion only, no action was taken.
- 1706.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** Hearing Officer's Findings and Recommendation regarding the service-connected disability retirement application of Jeffrey Edralin.

Mr. Edralin's counsel, Michael Adams, addressed the Board in open session, to present Mr. Edralin's objection to the Hearing Officer's recommendation and to not adopt the Hearing Officer's finding and recommendation. Ms. Jan Ellard, County Counsel, addressed the Board and responded to the objection raised and spoke in support of the Hearing Officer's findings and recommendation. After review of packet material and presentations by counsel, and consideration of the objection filed by Mr. Edralin, the Board took the following action:

Action: Mr. Spinello moved to approve and adopt the following findings and recommendations of the Hearing Officer: (1) that Jeffrey Edralin is permanently incapacitated for the performance of his duties as an Associate Systems Engineer, (2) that his disability was not a result of an injury/illness arising out of and in the course of his employment and to (3) deny his application for a service-connected disability retirement. The motion was seconded by Ms. Tourel and carried with a vote of 7-0, with trustees Battey, David, Hackleman, Hoefer, Spinello, Tashman, and Tourel in favor; none opposed.

The meeting was adjourned for a break at 10:54 a.m., reconvening at 11:04 a.m.

- 1706.1.1 **Appointment by Chair of Ad Hoc Nominating Committee for Board Officers:** Mr. Hackleman announced his appointment of trustees Al David, Sandie Arnott, and Alma Salas to form the Ad Hoc Nominating Committee. Ms. Salas will serve as Chair of this committee. This item was informational and for discussion only, no action was taken.
- 1706.5.2 **Approval of Actuarial Assumptions for the June 30, 2017 Actuarial Valuation:** Nick Collier, from Milliman, Inc., reviewed and discussed the recommended economic assumptions with the Board. He detailed the anticipated costs of the proposed reduction to the assumed investment rate, as well as changes to other economic assumptions used in the actuarial valuation. The Board discussed two alternative recommendations, both recommendations reduced the assumed interest return rate to 6.75%. Members of the audience were invited to comment. Jim Saco, representing the County Manager's Office, stated he was comfortable with the change to 6.75%. Also present were Michael Barber, Senior Legislative Aide for Supervisor Dave Pine; and Rodina Catalano, Court Executive Officer and Jury Commissioner provided their comments on the agenda item.; and Steven Chang, Court Director of Finance.
- Action:** It was moved by Mr. David to approve the recommended actuarial assumptions ("Alternative #1") as follows: investment return assumption, 6.75%; GASB discount rate, 6.92%; general wage growth, 3.00%; payroll growth, 3.00%; COLA Plan 1, 2.5%; COLA Plan 2, 2.4%; COLA Plan 3, N/A; COLA Plans 4,5,6 & 7, 1.9%. The motion was seconded by Mr. Battey and carried with a vote of 6-1, with trustees Battey, David, Hackleman, Hoefer, Tashman, and Tourel in favor; Spinello, opposed.

The meeting was adjourned at 11:50 a.m. for lunch, reconvening at 12:30 p.m.

1706.6.6 **Report on Private Asset Semi-Annual Performance as of December 31, 2016:** Mr. Shooshani reviewed Verus' report on private equity assets in detail with the Board. Mr. Nicolini followed, and presented Verus' 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.

1706.6.7 **Approval of International Equity Manager Structure:** Mr. Quirk reviewed the current and proposed international equity manager structure. The proposed changes to the manager structure include removing the dedicated international small-cap allocation and repositioning the proceeds so that the allocation across Ballie Gifford, Mondrian, and Blackrock EAFE Index are similar. These proposed changes simplify the manager structure by reducing the number of managers from five to four.

Action: Mr. Hoefler moved to approve the proposed international equity manager structure, as presented. The motion was seconded by Mr. David and carried with a vote of 7-0, with trustees Battey, David, Hackleman, Hoefler, Spinello, Tashman, and Tourel in favor; none opposed.

1706.6.8 **Approval of Real Estate Debt Investment Opportunity:** Mr. Nicolini presented Verus' recommendation for an investment in Prudential Real Estate U.S. Debt Fund, supporting the asset allocation policy that increased SamCERA's allocation to real estate. He compared the managers considered during the search, and noted the differences of each.

Action: Mr. Hoefler moved to approve a commitment of \$70 million to the Prudential Real Estate U.S. Debt Fund within the real estate sub-asset class. The motion was seconded by Mr. Tashman and carried with a vote of 7-0, with trustees Battey, David, Hackleman, Hoefler, Spinello, Tashman, and Tourel in favor; none opposed.

The meeting was adjourned at 1:44 p.m. for a break, reconvening at 1:53 p.m.

1706.7.1 **Approval of SamCERA Fiscal Year 2017-18 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 2017-18 budget totals \$33 million, which is 7.5% lower than the prior fiscal year.

Action: Mr. David moved to approve the budget as presented for FY 2017-18. The motion was seconded by Mr. Tashman and carried with a vote of 7-0, with trustees Battey, David, Hackleman, Hoefler, Spinello, Tashman, and Tourel in favor; none opposed.

1703.8.1 **Chief Executive Officer's Report:** Mr. Hood reported that he served as SamCERA's voting delegate at the SACRS business meeting on May 19, 2017. Mr. Hood stated next month's meeting agenda would include a discussion of SamCERA's Strategic Plan and a presentation of Milliman's triennial experience study and Segal's audit of the triennial experience study.

1706.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that Brown Armstrong will begin their field work for the audit at the end of June.

Ms. Perez reminded Board members to submit their payment for their non-recourse coverage, and noted upcoming education events.

1703.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that the annual reviews of Baillie Gifford and Mondrian are scheduled for June 15, 2017. He noted that staff would be working with Zeno Consulting Group and would be presenting a transaction cost analysis to the Board in August. Mr. Coultrip updated

the Board on the search for an investment consulting service provider and stated he expects to present a report on the finalists at the July meeting.

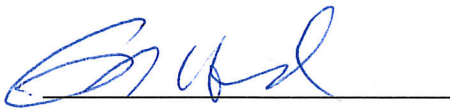
1703.8.4 **Chief Legal Counsel's Report:** Ms. Carlson stated that the Hanson Bridgett contract for tax counsel services will be expiring in June and staff will be issuing an RFP. There are three firms that currently provide tax counsel services to all the '37 Act systems and each will be sent the RFP. She also called attention to a report from the Marin County Grand Jury related to pension funding in Marin County, and made it available to Board members.

C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** See report on Item 5.1 above.

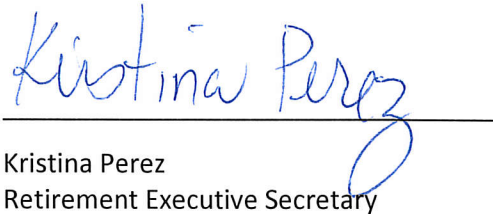
1706.9 **Report on Actions Taken in Closed Session:** No closed session was convened.

1706.10 **Adjournment:** Mr. Hackleman noted it was his final meeting as Chair, and shared his appreciation. He then adjourned the meeting at 2:06 p.m. in memory of the deceased members listed below.

Dupree-Reagan, Charlotte	April 16, 2017	Medical Center
Brown, Gene	April 19, 2017	Rehab Center
Clark, Robert	April 27, 2017	Assessor
O'Meara, Stephen	May 3, 2017	Hospital
Pardini, Eugene	May 7, 2017	Public Works
Furnanz, Marie	May 8, 2017	Library
Orbeta, Jorge	May 8, 2017	Human Services Agency



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary