

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

JULY 25, 2017 – REGULAR BOARD MEETING MINUTES

1707.1 Call to Order, Roll Call and Miscellaneous Business

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

Roll Call:

Present: Sandie Arnott, Mark Battey, Ben Bowler, Albert David, Alma Salas (for Paul Hackleman), Kurt Hoefler, David Spinello, Eric Tashman and Shirley Tourel.

Excused: Paul Hackleman.

Alternates present: Susan Lee.

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

Consultants: Margaret Jadallah, Joe Abdou (*Verus*); Nick Collier (*Milliman, Inc.*); Andy Yeung (*Segal*).

- 1707.1.1 Election of Board Officers:** Ms. Salas, Chair of the Ad Hoc Nominating Committee reported to the Board that many trustees had expressed interest in serving as an officer this term, and that was appreciated. After considering past years' officers and seniority of the current board members, the Committee recommended the following slate of officers for the term ending June 30, 2018: Mark Battey, Chair; Shirley Tourel, Vice Chair; and David Spinello, Secretary. There were no other nominations made.

Action: Mr. David moved to approve the nominations of Mark Battey, Chair; Shirley Tourel, Vice Chair; and David Spinello, Secretary for the term ending June 30, 2018. The motion was seconded by Mr. Tashman and carried with a vote of 9-0, with trustees Arnott, Battey, Bowler, David, Salas (for Hackleman), Hoefler, Spinello, Tashman and Tourel, all in favor, and none opposed.

- 1707.1.2 Announcement of Appointment of Board Committees:** Mr. Battey announced that the Audit Committee and the Investment Committee would continue with the current members serving another term as follows: Audit Committee: Sandie Arnott, Kurt Hoefler, Susan Lee and Shirley Tourel, Chair; and Investment Committee: Alma Salas, Eric Tashman and Ben Bowler, Chair. This item was informational only and no other action was taken.

- 1707.2.1 Oral Communications from the Public:** None.

- 1707.2.2 Oral Communications from the Board:** Mr. Tashman presented his concerns regarding the cost of disability retirements that occur when a fairly young employee discontinues employment with the County, due to the lack of appropriate accommodations available within the employee's department. Mr. Tashman asked what, if any, process the County engages in to determine if a disabled employee can, or will, be accommodated in his/her job; and whether County officials are aware of the costs incurred when there is a decision not to accommodate an employee. Staff will look at data from San Mateo County and other counties, and return to the Board with more information on this topic.

Mr. Hoefler read the following statement, on the record: "At the July 11th special Board meeting, I left the meeting room after listening to the presentation by Versus Consulting. I did not participate in any discussion of the RFP process for the selection of an Investment Consultant. I will be leaving the meeting today during the discussion under agenda item 7.1 and returning after that discussion has been completed. I will not participate in any deliberation by the Board regarding any decision directly or indirectly involving the provision of services to SamCERA by Versus Consulting. Here is the reason why: I am a partner at Golub Group. The Golub Group has no financial or other connection with Versus Consulting as an entity. However, the Golub Group does handle the personal account of a director /shareholder of Versus."

1707.3.1 **Approval of Board Meeting Minutes from June 6, 2017:** Mr. Battey asked if there were any changes or corrections to the minutes from June 6, 2017. None were noted.

Action: Ms. Salas moved to approve the minutes from June 6, 2017. The motion was seconded by Mr. Spinello and carried with a vote of 8-0-1, with trustees Battey, Bowler, David, Salas (for Hackleman), Hoefler, Spinello, Tashman and Tourel, all in favor; none opposed; and Arnott abstained.

1707.4.0 **Approval of the Consent Agenda:** Mr. Battey asked if there were any items to be removed from the Consent Agenda. Item 4.13 Approval of Update to Strategic Plan was removed, and Mr. Hood discussed the strategic plan prior to his report, at the end of the meeting.

Action: Mr. Spinello moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Hoefler. The motion carried with a vote of 9-0, Arnott, Battey, Bowler, David, Salas (for Hackleman), Hoefler, Spinello, Tashman and Tourel, all in favor, and none opposed.

1707.4.1 **Disability Retirements:**

- a) The Board found that Xylidine Mitchell is (1) permanently incapacitated for the performance of her usual and customary duties as a Communications Dispatcher 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.
- b) The Board found that that Angeline Prasad is (1) permanently incapacitated from the performance of her usual and customary duties as a Hospital Unit Coordinator, (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.
- c) The Board found that that Julie Reilly is (1) permanently incapacitated from the performance of her usual and customary duties as a Peer Support Worker II, (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.
- d) The Board found that that Damarys Sanchez is (1) permanently incapacitated from the performance of her usual and customary duties as a Hospital Unit Coordinator, (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.
- e) The Board found that Mahnaz Stutz is (1) permanently incapacitated for the performance of her usual and customary duties as a Benefits Analyst II, (2) found that her disability was not the 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.
- f) The Board found that Tully Vogt is (1) permanently incapacitated for the performance of her usual and customary duties as a Supervising Deputy Coroner, (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.

1707.4.2 **Survivor Death Benefits:** The Board found that Solane Louie, would have been entitled to a non-service-connected disability but died, and Benjamin Louie, the surviving spouse, has elected to receive an optional death allowance pursuant to Government Code § 31781.1.

1707.4.3 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Aguilar, Carlos	May 23, 2017	Deferred from Mental Health
Bennett, Brenda	June 1, 2017	Parks
Fettig, Lee	May 6, 2017	Human Services Agency

Service Retirements (con't):

Member Name	Effective Retirement Date	Department
Gomez, Reyna	May 6, 2017	Health
Hughes, Kenneth	May 11, 2017	Superior Court
Lee, Gloria	May 27, 2017	Health
Reilly, Julie	May 25, 2017	Behavioral Health
Robblee, Mary	May 19, 2017	Behavioral Health
Rosete, Edna	May 15, 2017	Deferred from Med Center
Salas, Gus	June 1, 2017	Human Services Agency
Sun, Yik-Ching	May 7, 2017	Health IT
Torres, Alfred	May 13, 2017	Behavioral Health
Weems, Charles	May 20, 2017	Public Works

1707.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Furnanz, James	Furnanz, Marie
Orbeta, Cecilia	Orbeta, Jorge
Pardini, Carol	Pardini, Eugene

1707.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Allen, Catherine	G5, Vested
Anderson, Yvonne	G4, Vested – Reciprocity
Bruggeman, Jennifer	G4, Vested – Reciprocity
Dardon-Gutierrez, Monica A.	P6, Non-vested – Reciprocity
Dabel, Sean	G4, Vested – Auto Defer Government Code 31700
Dennison, Stephen	G4, Vested
Frazier, Dennis	G5, Vested – Reciprocity
Franchi, Don	G4, Vested – Reciprocity
Gilbert, Anna	P4, Vested
Munoz, Olga	G7 Non-vested - Reciprocity
Rusmisel, Benjamin	G4, Vested – Reciprocity
Solorzano, Walfred	G5, Vested – Reciprocity
Ventura, Melissa	G5, Vested – Auto Defer Government Code 31700
Vigil, Selina	G3, Non-vested – Reciprocity
Viramones, Gabriella	G4, Vested – Reciprocity
White, Christopher	G5, Non-vested – Reciprocity

1707.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Ahmed, Fatima	G7, Non-vested
Cotton, Shanelle	G7, Non-vested
Cuevas, Christina	G7, Non-vested
Gonzalez, Yolanda	G7, Non-vested
Hernandez, Teresa	G7, Non-vested
Icasiano, Renee	G7, Non-vested
Martinez Rivas, Diana	G7, Non-vested
Mosley, Tyasha	G4, Vested

Member Account Refunds (con't):

Member Name	Retirement Plan Type
Patu, Rachel	G7, Non-vested
Smith, Dana	S4, Vested
Tostado, Daniel	G7, Non-vested
Williams, Danielle	G7, Non-vested
Yoakum, Jason	G7, Non-vested

1707.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Brown, Kristen	G7, Non-vested
Camacho, Luis	G7, Non-vested
Ferrer, Alicia	G4, Non-vested
Fox, Julia	G4, Non-vested
Marasigan, Michael	G7, Non-vested
Mosley, Tysha	G4, Vested
Perez, Martha	G4, Vested

1707.4.8 **Member Account Redeposit:**

Madden, Jacob G4, Vested

1707.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activities attended by trustees Lee and Tourel.

1707.4.10 **Approval of Questions for Annual Review of Milliman, Inc.:** The Board approved the evaluation questions in the "Questions for Annual Actuarial Consultant Evaluation."

1707.4.11 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2017:** The Board accepted the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of June 30, 2017.

1707.4.12 **Report on Payment of Employer Contributions:** The Board accepted the report of the Fiscal Year 2017-18 prepayments for the San Mateo County (County) of its estimated employer contribution totaling \$184,066,429 and the San Mateo County Superior Court (Court) of its estimated employer contribution totaling \$6,489,803; and the lump sum supplemental payment of \$250,000 made by San Mateo County Mosquito and Vector Control District (District).

1707.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

1707.5.2 **Acceptance of Milliman Inc.'s Investigation of Experience July 1, 2014 – April 30, 2017:** Nick Collier, from Milliman, Inc. presented the triennial investigation of experience report to the Board and reviewed the findings and assumptions. This item was for discussion only; and with no objections, this report was accepted.

1707.5.3 **Acceptance of Segal Consulting's Findings Regarding the Investigation of Experience, July 1, 2014-April 30, 2017:** Andy Yeung, of Segal Consulting, presented Segal's "Actuarial Review of Investigation of Experience" and reviewed Segal's recommendations. He reported Segal had determined that Milliman's work for SamCERA had used generally accepted actuarial practices and that all major actuarial functions were properly addressed; and that the assumptions as recommended by Milliman were reasonable to use in SamCERA's actuarial valuation. Reyna Farrales, Deputy County Manager, was present, and had no comments. Nick Collier stated he had no comments. This item was for discussion only; and with no objections, the report was accepted.

- 1707.5.4 **Approval of Resolution Adopting Recommended Changes to Assumptions Based on Milliman's Investigation of Experience, July 1, 2014 – April 30, 2017:** Following the discussion of items 5.2 and 5.3 as described above, the Board took the following action:
Action: Mr. Bowler moved to approve Milliman's Investigation of Experience Report for FYs 2014-2017 and to approve a resolution adopting recommended changes to assumptions based on the same report. The motion was seconded by Mr. Tashman. The motion carried with a vote of 9-0, with trustees Arnott, Battey, Bowler, David, Salas (for Hackleman), Hoefer, Spinello, Tashman and Tourel, all in favor; and none opposed.
- The Board was adjourned for a short break at 11:16 a.m., and reconvened in to open session at 11:22 a.m.
- 1707.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended June 30, 2017:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for June 2017 was 0.14%, while the preliminary trailing twelve-month return ending June 30, 2017 was 12.7% net. This item was informational and for discussion only, no action was taken.
- 1707.6.2 **Report on the International Equity Manager Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's International Equity Managers. Staff met at SamCERA's offices with Eaton Vance Parametric and Fidelity Institutional Asset Management (FIAM) on May 11, 2017; and with Mondrian and Ballie Gifford on June 15, 2017. Ms. Ng reported that FIAM Select International Small Cap Plus investment was terminated, following the international structure review by the Board. There were no additional concerns identified during the review. This item was informational and for discussion only, no action was taken.
- 1707.6.3 **Approval of Fixed Income Manager Structure:** Mr. Coultrip and Ms. Jadallah went over the proposed changes to the fixed income manager structure, and compared the proposal to the current allocations. The proposed structure moves the Templeton Multi-Sector strategy into the opportunistic credit bucket, and downsizes the allocation (to 1% of total plan assets) so that the risk is more consistent with other opportunistic credit managers, while allocating the remainder (2%) to the Core bucket via the Blackrock Intermediate Government Bond Index. This change will result in a better diversification of manager concentration risk to the portfolio, while increasing the defensive nature of the fixed income portfolio.
Action: Mr. David moved to approve the proposed fixed income manager structure. The motion was seconded by Mr. Tashman. The motion carried with a vote of 9-0, with trustees Arnott, Battey, Bowler, David, Salas (for Hackleman), Hoefer, Spinello, Tashman and Tourel, all in favor; and none opposed.
- 1707.6.4 **Approval of Strategic Credit Investment Recommendation:** Ms. Jadallah reviewed the due diligence performed on the short-list of strategic credit managers. She informed the Board that staff and consultant identified PIMCO as the top candidate in this process, and conducted an on-site due diligence visit at PIMCO's offices on May 15th, 2017. She reviewed the results of this meeting and reviewed the recommendation that the Board approve the hiring of PIMCO Diversified Income with an overall investment of \$80 million to be allocated to the Opportunistic Credit category within SamCERA's fixed income asset class.
Action: Mr. Tashman moved to approve the recommendation to invest 2% of plan assets (\$80 million) in the PIMCO Diversified Income Fund within the Opportunistic Credit category in the fixed income class. The motion was seconded by Mr. Bowler, and carried with a vote of 8-1, with trustees Arnott, Battey, Bowler, David, Salas (for Hackleman), Hoefer, Tashman and Tourel, all in favor; Spinello, opposed.

Mr. Battey adjourned the meeting into closed session at 11:47 a.m., and the closed session was concluded at 12:03 p.m. The Board then took a break for lunch at 12:03 p.m., and reconvened into open session at 12:27 p.m.

1707.6.5 **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 upon reconvening, Ms. Carlson stated that the following reportable action had been taken by the Board.

Action: Mr. Spinello moved to approve a commitment of \$20 million to Quantum Energy Partners VII, as part of SamCERA's natural resources portfolio, within the private real assets class. The motion was seconded by Mr. Bowler, and carried with a vote of 9-0, with trustees Arnott, Battey, Bowler, David, Salas (for Hackleman), Hoefer, Spinello, Tashman and Tourel, all in favor; and none opposed.

At this time Mr. Hoefer, excused himself and left the boardroom, prior to item 7.1 being heard.

1707.7.1 **Discussion of Next Steps in the Investment Consultant RFP Process and Direction to Staff:** Mr. Battey and Mr. Coultrip reviewed the prior activities of the Ad Hoc Committee, and the status of the search process at this time. With no consensus achieved at the July 11, 2017 Special meeting, staff returned for further direction from the Board. The Board discussed options for moving forward, including bringing in another consultant to interview, or to direct staff to begin contract negotiations.

Action: Mr. David moved to direct staff to invite Meketa Consulting to make a presentation to the full Board. The motion was seconded by Ms. Arnott. A roll call vote was taken. The motion carried by a vote of 5-3-1.

AYES: Arnott, David, Spinello, Tashman, Salas (for Hackleman).

NOES: Battey, Bowler, Tourel.

ABSENT: Hoefer.

Mr. Tashman, left the boardroom at 1:15 p.m. and was excused for the remainder of the meeting. Mr. Hoefer returned to the boardroom after the vote on item 7.1, and took his seat on the dais.

1707.7.2 **Approval of Resolution Authorizing the CEO to Enter into Agreement for Tax Counsel Services:** Mr. Hood updated the Board on the RFP process to select a provider for tax counsel services. Having reviewed the proposals submitted, staff recommended Steptoe & Johnson as the best fit for SamCERA needs.

Action: Mr. David moved to approve a resolution authorizing the CEO to execute an agreement with Steptoe & Johnson LLP for tax counsel services. The motion was seconded by Mr. Bowler and carried with a vote of 8-0-1, with trustees Arnott, Battey, Bowler, David, Salas (for Hackleman), Hoefer, Spinello and Tourel, all in favor; none opposed; Tashman, absent.

1707.7.3 **Consideration of Trustee Requests to Attend an Education Conference not on Approved List:** Mr. Battey reviewed the requests to attend the Public Funds Forum submitted by Ms. Arnott and Ms. Lee.

Action: Mr. Hoefer moved to approve the requests submitted by Ms. Arnott and Ms. Lee to attend the Public Funds Forum. The motion was seconded by Mr. David. A roll call vote was taken. The motion carried by a vote of 6-2-1.

AYES: Arnott, Bowler, David, Hoefer, Spinello, Salas (for Hackleman).

NOES: Battey, Tourel.

ABSENT: Tashman.

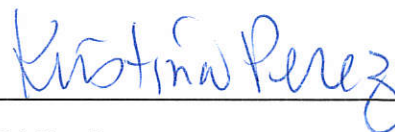
1707.4.13 **Update to Strategic Plan:** Mr. Hood reviewed SamCERA's Strategic Plan with the Board. This item was informational and for discussion only, no action was taken.

- 1707.8.1 **Chief Executive Officer's Report:** Mr. Hood called attention to the items in the Day of Meeting folder, including the SACRS publication, and the list SamCERA's policies. Mr. Hood stated next month's meeting agenda would include a review of two policies, as well as the budget report. He also mentioned that benefit payments to retirees were sent 6 days earlier this month, and the issue that caused the early payment had been resolved. Mr. Hood thanked staff who assisted with the actuarial audit and investigation of experience study.
- 1707.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the auditors finished their interim field work. The internal audit of IT was still pending, but so far there have been no recommendations or findings. The "MySamCERA" mobile app was launched last week. Ms. Perez reminded Board members about upcoming educational events.
- 1707.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that Zeno will present their trading cost analyst report at the August meeting. He announced the Fixed Income Manager annual reviews are scheduled for August 3, 2017, and invited interested trustees to attend.
- 1707.8.4 **Chief Legal Counsel's Report:** Ms. Carlson explained where the Board could find a list of their policies on SamCERA.org. She gave an update on new cases including one from Contra Costa County, regarding the treatment of legal separation status, as it relates to the definition of a qualified spouse, eligible for continuance.
- C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.
- 1707.9 **Report on Actions Taken in Closed Session:** See the report above, for Item 6.5 Approval of Proposed Alternative Investment.
- 1707.10 **Adjournment:** Mr. Battey adjourned the meeting at 1:44 p.m. in memory of the deceased members listed below.

Pult, Sylvia	April 27, 2017	Medical Center
Wilson, Roselynn	May 6, 2017	Probation
Lew, Bradford	May 7, 2017	Medical Center
Pardini, Eugene	May 7, 2017	Public Works
Bottarini, Loretta	May 25, 2017	Hospital
Husmas, Vasiliki	May 29, 2017	Mental Health
Schoepner, Robert	June 2, 2017	Mosquito
Christensen, Clifford	June 6, 2017	Probation
Louie, Solane	June 6, 2017	Medical Center
Mendoza, Corazon	June 12, 2017	Assessor's
Arguello, Juan	June 13, 2017	Medical Center
Bracksher, George	June 15, 2017	Food Service
Mullaney, Marc	June 15, 2017	Environmental Health
Oates, Willard	June 18, 2017	Probation
Stratton, Leon	June 19, 2017	Public Works
Longanecker, Evelyn	June 22, 2017	Social Service
Thompson, Charles	July 1, 2017	County Engineer
Abitsch, Barbara	July 4, 2017	Medical Center



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary