

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AUGUST 22, 2017 – REGULAR BOARD MEETING MINUTES

1708.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Shirley Tourel, Vice Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Sandie Arnott, Ben Bowler, Albert David, Kurt Hoefer, Susan Lee (for Paul Hackleman), David Spinello, Eric Tashman and Shirley Tourel.

Excused: Mark Battey, Paul Hackleman.

Alternates present: Susan Lee.

Alternates excused: Alma Salas.

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, John Nicolini (*Verus*); Vinod Pakianathan (*Zeno*).

1708.2.1 **Oral Communications from the Public:** None.

1708.2.2 **Oral Communications from the Board:** None.

1708.3.0 **Approval of Board Meeting Minutes:** Ms. Tourel asked if there were any changes or corrections to the three sets of minutes from the Board meetings held on July 25, 2017; July 11, 2017; and August 10, 2017. None were noted. Trustees who missed all, or a portion of the meetings, abstained from approval of the respective minutes.

1708.3.1 **Action:** Mr. David moved to approve the minutes from the Regular Meeting on July 25, 2017. The motion was seconded by Mr. Bowler and carried with a vote of 7-0-1, with trustees Arnott, Bowler, David, Lee (for Hackleman), Spinello, Tashman and Tourel, all in favor; none opposed; and Hoefer, abstained.

1708.3.2 **Action:** Mr. David moved to approve the minutes from the Special Meeting on July 11, 2017. The motion was seconded by Ms. Arnott and carried with a vote of 5-0-3, with trustees Arnott, Bowler, David, Lee (for Hackleman), and Tourel, all in favor; none opposed; and Hoefer, Spinello and Tashman abstained.

1708.3.3 **Action:** Mr. Bowler moved to approve the minutes from the Special Meeting on August 10, 2017. The motion was seconded by Mr. David and carried with a vote of 5-0-3, with trustees Arnott, David, Lee (for Hackleman), Spinello, and Tourel, all in favor; none opposed; and Bowler, Hoefer and Tashman abstained.

1708.4.0 **Approval of the Consent Agenda:** Ms. Tourel asked if there were any items to be removed from the Consent Agenda. Item 4.14, Reaffirmation of the Authorization for CEO to Execute Documentation for Investments as Required, was removed for discussion. The disability application for Andrew Allee was withdrawn from Board consideration by the applicant.

Action: Mr. Tashman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Hoefer. The motion carried with a vote of 8-0, with trustees Arnott, Bowler, David, Hoefer, Lee (for Hackleman), Spinello, Tashman and Tourel, all in favor; none opposed.

1708.4.1 **Disability Retirements:**

- a) The Board found that Esther Munoz is (1) permanently incapacitated for the performance of her usual and customary duties as a Community Worker I, (2) found that her disability was not the result of an illness 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.

1708.4.2 **Survivor Death Benefits:** None.

1708.4.3 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Angeles, Encarnacion	July 1, 2017	Medical Center
Candelaria, Michael	July 1, 2017	Correctional Health
Cole, Jessica	July 1, 2017	Deferred from Family Support
Dunn, Felton	June 26, 2017	Retiree activating G3 pension
Ingco, Gilbert	June 24, 2017	Courts
Kaur, Seerada	June 20, 2017	Deferred from Medical Center
Martins-Sandaga, Mario	June 10, 2017	Controller's
Ortiz, Rosario	June 5, 2017	Behavioral Health
Otte, Michael	June 9, 2017	Sheriff's
Quaid, Michael	July 1, 2017	Correctional Health
Skinner, Elizabeth	June 3, 2017	Deferred from Sheriff's
Vissiere, Michael	June 13, 2017	Deferred from Sheriff's
Viveiros, Filomena	June 16, 2017	Human Resources
White, Sonja	June 20, 2017	Probation

1708.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Arguello, Flor	Arguello, Juan
Ho, Thanh Thao	Mullaney, Marc
Louie, Benjamin	Louie, Solane

1708.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Aung, Thanda	G4 Vested - Reciprocity
Dwyer, Mary Yvette	G4 Vested
Gage, Tammela	S4 Vested
Hacker, Katie	G4 Vested
Nassar, Noel	G7 Non Vested - Reciprocity
Ng-Irwin, Ginelle	G7 Non Vested - Reciprocity

1708.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Cheechov, Joy	G4, Vested
Delai, Eliko	S7, Non-vested
Jacobo, Birzayit	G4, Vested
Ocampo, Reeden	G7, Non-vested
Panayotova, Mihaela	G7, Non-vested
Pult, Sylvia (FBO: Stephen Pult)	G4, Non-vested

Member Account Refunds (cont.):

Member Name	Retirement Plan Type
Raul, Gary	S4, Vested
Rbeiz, Diala	G7, Non-vested
Shaw, John	P4, Vested
Speier, Kimberly	G7, Non-vested

1708.4.7 **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
Chien, Yulin	G4, Non-vested
Earles, Lori	G7, Non-vested
Herrera, Octavio	G7, Non-vested
Hoover, Cora	G4, Non-vested
Li, Yinglin	G7, Non-vested
Raul, Gary	S4, Vested

1708.4.8 **Member Account Redeposit:** None.

1708.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None.

1708.4.10 **Approval of Questions for Annual Review of Brown Armstrong Accountancy:** The Board approved the evaluation questions in the "Questions for Annual Audit Consultant Evaluation."

1708.4.11 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2017:** The Board accepted the semi-annual Compliance Certification Statement for the Franklin Templeton Global Multisector Plus Bond Fund, as of June 30, 2017.

1708.4.12 **Approval of Resolution Authorizing Amendment to Agreement with Verus Advisory, Inc.:** The Board approved a resolution authorizing the Chief Executive Officer to execute a Third Amendment to the Agreement with Verus Advisory, Inc. for investment consulting services.

1708.4.13 **Reaffirmation of Conflict of Interest Code:** The Board reaffirmed SamCERA's Conflict of Interest Code.

1708.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** The Board discussed Item 4.14 at this time.

1708.4.14 **Reaffirmation of the Authorization for CEO to Execute Documentation for Investments as Required:** The Board discussed how often this authority was utilized since it was approved in September 2012. Board members discussed the specifics of situations where this authority would be used.

Action: Mr. David moved to reaffirm the authorization for CEO to execute documentation for investments, and the motion was seconded by Mr. Bowler. The motion carried with a vote of 7-1, with trustees Arnott, Bowler, David, Hoefer, Lee (for Hackleman), Spinello, and Tashman, all in favor; and Tourel opposed.

1708.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended July 31, 2017:**

Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for July 2017 was 1.5%, while the preliminary trailing twelve-month return ending July 2017 was 11.6% net. The twelve-month net return is higher than both SamCERA's Total Plan Benchmark return of 11.5% and the Actuarial Assumed Earnings Rate of 6.75%. This item was informational and for discussion only, no action was taken.

- 1708.6.2 **Report on Quarterly Investment Performance for the Period Ended June 30, 2017:** Mr. Coultrip, Mr. Abdou 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 2nd quarter net total return for the SamCERA portfolio was +2.6%, which was 20 bps lower than the +2.8% policy benchmark return. This item was informational and for discussion only, no action was taken.
- 1708.6.3 **Report on the Fixed Income Manager Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's Fixed Income Managers. Staff and consultant met at SamCERA's offices with Franklin Templeton, Western Asset Management and Fidelity Institutional Asset Management on August 3, 2017. Ms. Ng reported there were no significant concerns identified during the portfolio reviews. This item was informational and for discussion only, no action was taken.
- 1708.6.4 **Report on Trading Cost Analysis for Public Equity and Fixed Income Managers:** Vinod Pakianathan from Zeno Consulting Group reviewed the trading cost analysis report prepared for SamCERA with the Board. He explained how transaction costs are observed and quantified, went through the analysis of SamCERA's public equity and fixed income manager trading costs, and answered questions. This item was informational and for discussion only, no action was taken.

The Board was adjourned for a short break at 11:35 a.m., and then convened into closed session at 11:45 a.m. The closed session was adjourned for lunch from 12:10 p.m. to 12:52 p.m. and the Board reconvened back to closed session until 12:52 p.m. The Board then returned to open session and Ms. Carlson gave the following report of the Board's action taken in closed session.

- 1708.6.5 **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 with staff and the consultant, to consider a proposed Alternative Investment.

Action: Mr. Hoefer moved to approve an investment of \$30 million into the Invesco Real Estate U.S. Value Fund V subject to ongoing due diligence as directed by the Board. The motion was seconded by Mr. Tashman, and carried by a vote of 7-1; with trustees Arnott, Bowler, David, Hoefer, Lee (for Hackleman), Tashman and Tourel, all in favor; Spinello opposed.

- 1708.7.1 **Report of Preliminary Financial Statements for the Fiscal Year Ended June 30, 2017:** Ms. Smith reported that SamCERA's net position as of June 30, 2017, was \$4.0 billion, reflecting an increase of \$498 million, or 14%, from last year. This item was informational and for discussion only, no action was taken.
- 1708.7.2 **Report on Budget-to-Actual for the Fiscal Year Ended June 30, 2017:** Ms. Smith reviewed the FY 2016-17 budget-to-actual report with the Board. This item was informational and for discussion only, no action was taken.
- 1708.8.1 **Chief Executive Officer's Report:** Mr. Hood called attention to the items in the Day of Meeting folder, including a report from the San Mateo County Grand Jury titled "Unfunded Pension Liabilities: Early Results Under GASB Standard 68" and a memo from SACRS about their 2108 Legislative Timelines. He noted that staff will be bringing to the Board an extension on the contract with Milliman, Inc. Mr. Hood stated next month's meeting agenda would include the actuarial valuation, the audit of the valuation, approval of proposed contribution rates, and a review of SamCERA policies regarding "spiking" prevention and corrections. He read two notes of appreciation from the families of deceased members who had received "Adjourned in Memory" certificates from the Board.
- 1708.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the auditors were finishing up their field work. She notified Board members that they would be receiving a survey via email this week to evaluate the services of SamCERA's actuary, Milliman, Inc.

Ms. Perez reminded Board members about upcoming educational events.

- 1708.8.3 **Chief Investment Officer's Report:** Mr. Coultrip invited interested trustees to attend the upcoming annual manager reviews for SamCERA's opportunist credit and private credit managers Angelo Gordon, Beachpoint and TCP. He notified the Board that a total of \$90 million in cash had been invested recently; with \$60 million into the diversified component of the portfolio, and \$30 million in the inflation protection component of the portfolio.
- 1708.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported there was no update to pension related legislation or litigation.
- C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.
- 1708.9 **Report on Actions Taken in Closed Session:** See the report above, for Item 6.5 Approval of Proposed Alternative Investment.
- 1708.10 **Adjournment:** Ms. Tourel adjourned the meeting at 1:06 p.m. in memory of the deceased members listed below.

Platt, Nancy	May 15, 2017	Environmental Services
Mary Pozorski	June 17, 2017	Health Department
Parry, Cheryl	July 7, 2017	Medical Center
Sohrabji, Lulu	July 14, 2017	Sheriff's
Damon, Anne	July 20, 2017	Health Services
Low, Jennie	July 22, 2017	District Attorney's Office
Petty, Thomas	July 23, 2017	Medical Center
Barrett, Helen	July 25, 2017	Social Service Dept
Vigo, Christie	August 2, 2017	Environmental Services
Ball, Thom	August 6, 2017	Library



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary