

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
DECEMBER 6, 2016 – REGULAR BOARD MEETING MINUTES

1612.1 **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 10:03 a.m.

Roll Call:

Present: Sandie Arnott, Mark Battey, Paul Hackleman, Kurt Hoefler, Susan Lee (for the vacant Third Seat), David Spinello, and Eric Tashman.

Excused: Ben Bowler and Shirley Tourel.

Alternates present: Alma Salas.

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

Consultants: Stephen Quirk, Joe Abdou and Faraz Shooshani (*Verus*).

- 1612.1.1 **Election of Board Secretary:** Mr. Hackleman reported that Trustee Natalie Kwan Lloyd, Board Secretary and Third Member of the Board of Retirement, had resigned her position at the County and is no longer serving as a Board Member. Mr. Hood read a certificate of appreciation, thanking Ms. Kwan Lloyd for her years of service on the Board. Mr. Battey, reported that the Ad Hoc Nominating Committee had recommended that Shirley Tourel be nominated to fill the Board Secretary position. Mr. Battey made the nomination of Shirley Tourel, as Board Secretary, and there were no other nominations.

Action: Mr. Battey moved to elect Shirley Tourel, as Board Secretary, for the term expiring June 30, 2017. The motion was seconded by Mr. Spinello, and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefler, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

- 1612.2.1 **Oral Communications from the Board:** Ms. Arnott reported her attendance at the IFEBP Annual Conference in Orlando, Florida, November 12-16, 2016. Mr. Hackleman and Ms. Lee also attended the IFEBP Annual Conference. Mr. Spinello reported his attendance at the SACRS Fall Conference in Indian Wells, on November 8-11, 2016; and he also attended the NCPERS 2016 Public Safety Employees' Pension & Benefits Conference, October 23-26, In Las Vegas.

- 1612.2.2 **Oral Communications from the Public:** None.

- 1612.3.1 **Approval of Board Meeting Minutes from October 25, 2016:** Mr. Hackleman asked if there were any changes or corrections to the minutes from October 25, 2016, and none were noted.

Action: Mr. Spinello moved to approve the minutes from October 25, 2016; the motion was seconded by Mr. Hoefler and the motion carried with a vote of 6-0-1, with trustees Battey, Hackleman, Hoefler, Lee (for vacant Third Seat), Spinello, Tashman, in favor; none opposed. Ms. Arnott abstained because she was not in attendance at the October 25th meeting.

- 1612.4.0 **Approval of the Consent Agenda:** Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and the disability application for Rebecca Nassarre was removed for discussion in closed session.

Action: Mr. Battey moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Ms. Arnott. The motion carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefler, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

1612.4.1 **Disability Retirements**

- a) The Board found that LouAnn Henry is (1) permanently incapacitated for the performance of her usual and customary duties as a Rehabilitation Production Supervisor I, (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 Byron Hudson is (1) permanently incapacitated for the performance of his usual and customary duties as a Case Management/Assessment Specialist II, (2) found that his disability was the not the 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 Alfredo Rodriguez is (1) permanently incapacitated for the performance of his usual and customary duties as a Deputy Sherriff, (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 (1) accepted the proposed findings and recommendations of the Hearing Officer, John Rosenthal, (2) found that Leslie Talavera is permanently incapacitated for the performance of her usual and customary duties as a Health Benefits Analyst II, (3) found that her disability was not a result of an injury arising out of and in the course of her employment, (4) denied her application for a service-connected disability retirement and (5) granted her a non-service-connected disability retirement.

1612.4.2 **Survivor Death Benefits:** The Board found that Richard Alota, would have been entitled to a non-service-connected disability but has died and Claire Alota, the surviving spouse, has elected to receive an optional death allowance pursuant to Government Code § 31781.1.

1612.4.3 **Service Retirements:**

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

Member Name	Effective Retirement Date	Department
Borg, Abigail	September 7, 2016	Deferred from Probation
Boscono, Linda	September 13, 2016	Deferred from Assessor's
Burns, Candy	October 22, 2016	Human Resources
Bushwalter, Eliana	October 1, 2016	Family Health Services
De Leon, Florinda	October 1, 2016	Human Resources
Espinoza, Eileen	October 29, 2016	Probation
Gibson, Pamela	October 1, 2016	Human Resources
Gloude-mans, Paulette	September 7, 2016	Human Services Agency
Gostisha, Sheila	October 20, 2016	Parks
Holland, Philip	September 12, 2016	Deferred from Medical Center
Humphrey, Freeman	October 1, 2016	Behavioral Health
Lake, Eufemia	October 1, 2016	Behavioral Health
Magsino, Editha	October 1, 2016	Medical Center
Magura, Melody	October 1, 2016	Sheriff's
Mar, Andy	November 1, 2016	Sheriff's
Maynard, Donald	September 30, 2016	County Manager's Office
McClain, Helen	September 24, 2016	Human Services Agency
Meyers, Beverley	September 16, 2016	Deferred from District Attorney
Noah-Bear, Nancy	September 9, 2016	Human Services Agency
Rivera, Robert	September 4, 2016	Deferred from Probation
Ruiz, Milton	September 9, 2016	Deferred from Medical Center
Simonsen, Linda	September 30, 2016	Behavioral Health

1612.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Alota, Claire	Alota, Richard
Artigues, Irene	Artigues, Raymond
Holl, Carolyn	Holl, Theodore
Kinsey, Janae	Lawrence, Tonya
Ott, Emily	Ott, Gareth

1612.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Bixler, Jonathan D.	G4, Vested - Reciprocity
Bols, Johannes H.	G4, Vested
Clark, Ellen Myra	G4, Vested
Colston, Charles	G7, Non-vested – Reciprocity
Espera, Annie A.	G4, Vested
Goyal, Dolly E.	G4, Vested - Reciprocity
Martinez, Jessica S.	G4, Vested - Reciprocity
Miranda, Robert G.	G3, Non-vested - Reciprocity
Moorer, Jessica	G7, Non-vested - Reciprocity
Rose, Robyn B.	G3/G4, Vested - Reciprocity
Tan, Lay-Ting	G4, Vested

1612.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Caba, Edwin	G7, Non-vested
Contreras, Jesenia	G7, Non-vested
Ellis, Joe	G5, Non-vested
Espinoza, Francoise	G4, Vested
Flowers-Ned, Traci	G7, Non-vested
Grinner, Aisha	G4, Non-vested
Molina, Samantha	G4, Non-vested
Nunn, Lolita	G7, Non-vested
Piol, Divina	G4, Non-vested

1612.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Hyman, Elizabeth	S7, Non-vested
Ree, Sarah	G7, Non-vested
Stafford, Karrie	G4, Non-vested
Vasquez, Kristy	G4, Vested

1612.4.8 **Member Account Redeposit:** None.

1612.4.9 **Approval of Extended Service Purchase Contract:** The Board approved a two-year payment period for a redeposit of funds by David Sisneros, pursuant to Government Code Section 31652.

1612.4.10 **Approval of Resolutions Amending Definitions of Compensation Earnable and Pensionable Compensation**
The Board approved a new non-pensionable earnings code (089) for Relocation Allowance to be effective October 23, 2016, and adopted the following resolutions: (1) a resolution defining compensation earnable,

pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34 and (2) a resolution defining Pensionable Compensation for members who are subject to Government Code §7522.34.

- 1612.4.11 **Approval of Questions for Annual Review of Brown Armstrong Accountancy Corporation:** The Board reviewed and approved the "Questions for Annual Auditor Consultant Evaluation" as presented.
- 1612.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** The Board adjourned into closed session at 10:10 a.m. to initially review the disability application of Rebecca Nassarre, Item 4.1, with the member present, which was removed from the Consent Agenda. The meeting reconvened at 10:30 a.m. and Ms. Carlson reported the following action by the Board:
- Action:** Mr. Battey made a motion to approve staff's recommendation, and found that Rebecca Nassarre is permanently incapacitated for the performance of her usual and customary duties as a Social Worker III; and found that her disability was not a result of an injury/illness arising out of and in the course of her employment and thus had denied her application for a service-connected disability; and granted her a non-service-connected disability retirement. The motion was seconded by Mr. Tashman, and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefler, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.
- 1612.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended October 31, 2016:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for October 2016 was -1.0%, while the preliminary trailing twelve-month return ending October 2016 was 4.5% net. This item was informational and for discussion only, no action was taken.
- 1612.6.2 **Report on Quarterly Investment Performance Report Ended September 30, 2016:** Mr. Coultrip and Mr. Quirk reviewed the quarterly report with the Board. They reviewed manager performance, market trends, election effects, and discussed details within the report. The 3rd quarter net total return for the SamCERA portfolio was 3.7%, which was 10 bps lower than the 3.8% policy benchmark return. This item was informational and for discussion only, no action was taken.
- 1612.6.3 **Report on Hedge Fund Absolute Return and Risk Parity Manager Annual Reviews:** Mr. Coultrip reported that on October 13, staff met with representatives from AQR's Global Risk Premium fund, AQR's Delta fund, and Pan Agora's Diversified Risk Multi Asset fund. He reported there were no significant concerns identified during the annual review, and directed the Board to the confidential notes in their packet for more information. This item was informational and for discussion only, no action was taken.
- 1612.6.4 **Approval of Implementation Plan for the Revised Asset Allocation Policy:** Mr. Coultrip and Mr. Quirk discussed details of the plan to implement the new asset allocation policy portfolio, as approved by the Board in October. A three-phase timeline was discussed, with some portions of the plan being implemented immediately, others in 3-6 months, and still others will require a multiyear implementation process. The implementation plan seeks to increase low cost passive management, terminate certain managers and convert SamCERA's investment in the S&P 500 Index to the Russell 1000 Index.
- Action:** Mr. Tashman moved to approve the implementation plan (alternative 2) as recommended, including the closure of investments with Barrow Hanley and Brown Advisory. The motion was seconded by Ms. Arnott, and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefler, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

Mr. Hackleman adjourned the meeting for lunch at 11:42 a.m., and reconvened at 12:15 p.m.

1612.6.7 **Approval of Proposed Alternative Investments** (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C4): Immediately following lunch, the meeting was adjourned into closed session to discuss item 6.7, which was heard out of order. The meeting was reconvened at 12:55 p.m. and Ms. Carlson reported the following two actions taken by the Board in closed session:

Action: Mr. Battey moved to approve an investment of \$20 million in Great Hill Fund #6. The motion was seconded by Mr. Tashman and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefer, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

Action: Mr. Hoefer moved to approve an investment of up to \$10 million in ABRY Senior Equity V. The motion was seconded by Mr. Battey and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefer, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

1612.6.5 **Approval of Risk Parity Policy Benchmark Change:** Mr. Coultrip explained the benefits of the proposed change in the risk parity policy benchmark, from a domestic-only balanced index to a global balanced index. He stated this would be on a go-forward basis.

Action: Mr. Tashman made a motion to approve changing the risk parity policy benchmark from a domestic-only balanced index, to a global balanced index, of 60% MSCI World/40% Global BC Aggregate. The motion was seconded by Ms. Arnott, and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefer, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

Item 7.1 was heard next, out of order.

1612.7.1 **Workshop on Delegation of Investment Activities and Direction to Staff (part 2):** Mr. Hood introduced the staff report and Mr. Coultrip reviewed the previous discussions on this topic that took place at the Board's October and November meetings. Board members who were not present at the previous discussions provided feedback. A comprehensive discussion followed between Board members, staff and legal counsel and included such topics as: transparency and context; expertise of consultants; expertise of Board members; fiduciary obligations and duties; oversight and monitoring; comfort levels of individual Board members with regard to delegation; the larger impact of asset allocation versus manager selection; varied approaches for different types of investment decisions; and role of the Investment Committee.

Mr. Hackleman summarized the discussion to help give direction to staff. Mr. Hackleman stated that a majority of the Board was comfortable with the "interim steps delegated approach" to the public market investments; and noted that concerns remained for some Board members regarding the process, the criteria for selection, the information provided, and the involvement of the Board in the decision-making process.

Mr. Coultrip reviewed the role of staff and the consultant in the manager selection and strategy recommendations with regard to private equity. Mr. Coultrip explained the current processes and offered alternative approaches for selection and "re-ups" of alternative and private equity investments. The Board's feedback to staff was to continue the current process, to possibly consider using another approach for "re-ups" only, and to provide context for each of the individual selections and how they fit into SamCERA's portfolio. Board members suggested that this topic be discussed in more detail at the Board-Staff retreat in April.

1612.7.1 This item was informational and for discussion only, no action was taken.
(con't)

The Board meeting was adjourned for a break at 1:55 pm, and reconvened at 2:05 p.m. Item 6.6 was heard next, out of order.

1612.6.6 **Approval of Issuance of Request for Proposal for Investment Consultant Services:** Mr. Coultrip reviewed the history of SamCERA's contractual relationship with Strategic Investment Solutions (SIS) since 2001, and with Verus, after the merger of SIS and Verus in 2015. He provided a timeline of actions for an RFP process that would begin in January 2017. An Ad-Hoc committee would be appointed by the Chair to assist in the selection process. Board members were asked to contact the Chair within one week if they wished to serve on the committee. The "quiet period" with no individual contact between proposers and Board members was also discussed.

Action: Mr. Battey moved to approve the issuance of a Request for Proposal for Investment Consulting Services. The motion was seconded by Ms. Arnott, and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefer, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

1612.7.2 **Approval of Resolution Amending Board's Education Policy:** Mr. Battey, Chair of the Ad-Hoc Education Committee, stated that the committee had met twice, and the recommendations were the result of those meetings. Three of the four committee members were in favor of the proposed changes. Proposed amendments included: reducing the list of preapproved educational events by eliminating some events for various reasons; reducing the number of overnight trips; setting a higher bar for traveling out of state, focusing more on regional events; and requiring trustees to submit a written report of the event to be placed on the consent agenda. A suggestion to review and update the policy annually was included after the Board's discussion.

Action: Mr. Tashman moved to approve a resolution revising the Board's Education Policy. The motion was seconded by Mr. Battey. A roll call vote was taken. The motion carried by a vote of 5-2, with trustees Arnott, Battey, Hackleman, Hoefer, and Tashman, all in favor; Lee (for vacant Third Seat) and Spinello opposed.

1612.7.3 **Approval of Special Election to Fill Vacancy on the Board of Retirement:** With Natalie Kwan-Lloyd's, departure from County employment and the Board, Mr. Hood explained the process for a special election to fill the vacancy in the elected Third Seat, which is for an active General Member. To allow for candidate nomination deadlines and other election requirements, March 13, 2017 was the recommended special election date.

Action: Mr. Tashman moved to approve a resolution calling for a Special Election on March 13, 2017 to fill the vacancy in the Third Seat of the Board of Retirement. The motion was seconded by Ms. Arnott and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefer, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.

1612.8.1 **Chief Executive Officer's Report:** Mr. Hood noted the PAFR and the SACRS magazine were in the Board members' folders, as well as the RVK report in Drobox. He reported that the PASS project was in its final stages before "go live." He stated that the internal controls audit report showed no issues in the draft report, and he will update the Board when the final report is received; and also reported that SamCERA received a refund of overcharged fees from State Street. Mr. Hood also previewed items that would appear on next month's meeting agenda including the annual review of the auditor, and mentioned additional topics for the Board /Staff retreat.

- 1612.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the Financial Knowledge Network classes have been scheduled for the spring. She noted that County HR Benefits Manager, Lisa Okada, had approached her to suggest collaborating in order to combine SamCERA classes with seminars on deferred comp for County employees. Ms. Smith reported that the Board calendar was being updated to Outlook, to be more helpful. Ms. Perez noted the list of educational events in the Board members' folders.
- 1612.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported discussions he was having with '37 Act peers about logistics and best practices to comply with the new statutory disclosure requirements, effective January 2017.
- 1612.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported that the Marin County Employees' Retirement Association case addressing "vested rights" of current employees, will be reviewed by the California Supreme Court, after a similar Contra Costa County Employees' Retirement Association case pending in the Court of Appeal is concluded. She reported that a settlement was reached in the Royal Bank of Scotland class action case, and SamCERA was a claimant. Ms. Carlson will give more information to the Board after the settlement process is completed. Additionally, she mentioned a new law that becomes effective in 2017, whereby the Alternate Retiree representative, (currently Ms. Salas) will be the alternate for the 8th member, as well as for other elected Trustees, the Second and Third Members, pursuant to the conditions as set forth in the statute.
- C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** See report on Item 5.1 above.
- C2 **Public Employee Performance Evaluation**, in accordance with Gov. Code § 54957
 Title: Chief Executive Officer: The Board adjourned into closed session to discuss item C2. Ms. Carlson gave the following report:
Action: The Board met with Scott Hood to evaluate his performance in 2016. No reportable action was taken.
- C3 **Conference with Labor Negotiator**, in Accordance with Gov. Code §54957.6
 Designated Representative: Brenda B. Carlson. Employee Position: Chief Executive Officer
 The Board adjourned into closed session to discuss item C3. Ms. Carlson reported the following action was taken:
Action: Ms. Carlson received direction from the Board.
- C4 **Approval of Proposed Alternative Investments** (Confidential Under Gov. Code §54956.81 and §6254.26):
 See report on Item 6.7.
- 1612.7.5 **Approval of Resolution Amending Agreement for Services of Chief Executive Officer** (Heard after item C3):
 Upon reconvening into public session at 4:00 p.m., the Board took the following action:
Action: Mr. Battey moved to adopt a resolution amending the agreement for services of the CEO, to reflect an increase in salary. The motion was seconded by Mr. Tashman and carried with a vote of 7-0 with trustees Arnott, Battey, Hackleman, Hoefler, Lee (for vacant Third Seat), Spinello, and Tashman, all in favor; none opposed.
- 1612.9 **Report on Actions Taken in Closed Session:** See above.
- 1612.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 4:03 p.m. in memory of the deceased members listed below.

Barberis, Mary

September 24, 2016

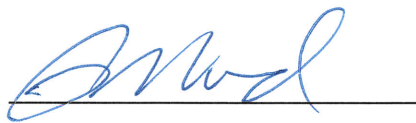
Chope Hospital

Forsythe, Robert

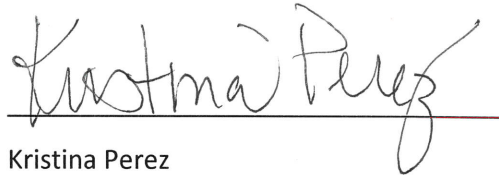
September 29, 2016

Sheriff's

Tolden, William	September 29, 2016	Aging & Adult Services
Ott, Gareth	October 1, 2016	Health Services
Jensen, Robert	October 7, 2016	Assessor's
Davies, Priscilla	October 9, 2016	Mental Health
Smith, Viola	October 9, 2016	Correctional Health
Souza, Irene	October 10, 2016	Chope Hospital
Lieb, Darrell	October 24, 2016	Public Works
Duwick, Joanne	October 30, 2016	Public Health
Hanners, Linda	November 4, 2016	Health & Welfare
Woodhams, Gary	November 6, 2016	Parks & Recreation
Myers, Judith	November 7, 2016	Courts
Cross, Frederick	November 19, 2016	Probation



Scott Hood
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary