

San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

August 28, 2012

Agenda Item 3.0

**July 24, 2012 – Board Agenda**

**PUBLIC SESSION** – The Board will meet in Public Session at 1:00 P.M.

**1. Call to Order, Roll Call and Miscellaneous Business**

- 1.1 Administration of the Oath of Office to Newly Elected and Reappointed Trustees
- 1.2 Presentation of Certificate of Appreciation to Alma Salas

**2. Oral Communications**

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

**3. Approval of the Minutes**

**4. Approval of the Consent Agenda**

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

- Disability Retirements
  - Yolanda Ayala
  - Elly Damian
  - Anne Garrett
  - Richard Good - Continued until August Board Meeting
  - Mohammad Rafiq
  - Maybelline Sharpe
  - Consideration of the Board's Authority to Decide Application for Non-Service Disability Retirement (Montesano)
- Service Retirements
- Continuances
- Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Trustee Conference Request
- Ratification of Authorization and Power of Attorney Issued to Franklin Advisors to Take Certain Actions on *SamCERA's* Behalf
- Ratification of Consent to Amend a Limited Partnership Agreement for an Alternative Investment

**5. Benefit & Actuarial Services**

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Approval of Questions for Annual Review of *SamCERA's* Actuarial Firm – Milliman Inc.
- 5.3 Consideration of Member's Request to Reconsider a Service Disability Retirement (Keenan)

**6. Investment Services (No Investment Committee meeting is scheduled.)**

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Report on the Annual Review of *SamCERA's* Domestic and International Equity Value Portfolios
- 6.3 Strategic Investment Solutions' Semi-Annual Report on Capital Markets Expectations Update

**7. Board & Management Support Services**

- 7.1 Monthly Financial Report
- 7.2 Quarterly Budget Report for Period Ended June 30, 2012
- 7.3 Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong
- 7.4 Status of Annual Financial Audit
- 7.5 Ad Hoc Nominating Committee Report and Election of 2012-2013 Board Officers

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**8. Management Reports**

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

**CLOSED SESSION** – The board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session

**9. Report on Actions Taken in Closed Session**

**10. Adjournment in Memory of the Following Deceased Members:**

Fakava, Heikoti	May 1, 2012	Deputy Sheriff
Devitt, Edward	May 4, 2012	Beneficiary of Devitt, Ana
Swindell, Vera	May 8, 2012	Economic Development Dept.
Evans, Mary	May 22, 2012	Public Guardian Office
Williams, Jan	May 23, 2012	Beneficiary of Williams, Marvin
Bettencourt, Ida	May 28, 2012	Chope Hospital
Scott, Dennison	June 3, 2012	Sheriff's Office
Boyle, Myrteze	June 4, 2012	Social Services
Sampson, Floyd	June 5, 2012	Ag Commission Sealer
Collazo, Nereida	June 8, 2012	Public Health
Gordon, Mary	June 10, 2012	Beneficiary of Gordon, Leonard
Gonsalves, Fernanda	June 15, 2012	Social Services
Solari, Norman	June 16, 2012	Sheriff's Office
Rafiq, Mohammed	June 19, 2012	Cook
Coggeshall, Charles	June 19, 2012	Probation
Estes, Norma	June 20, 2012	Controller
Van Kirk, Doloris	June 22, 2012	Elections
Sanders, Ruth	June 23, 2012	Beneficiary of Sanders, Vernon
Garrett, Anne	July 6, 2012	Family Health

David Bailey, Chief Executive Officer

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**July 24, 2012 – Board Minutes**

0712.1 **Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:03 p.m.

**Roll Call:**

*Present:* Al David, Natalie Kwan Lloyd, David Spinello, Ben Bowler, Paul Hackleman, Michal Settles and Eric Tashman.

*Excused:* Sandie Arnott, Lauryn Agnew

*Alternates Present:* Christopher Miller and John Murphy

*Staff:* David Bailey, Brenda Carlson, Gladys Smith, Mabel Wong and Kristina Perez.

*Consultants:* Patrick Thomas, Strategic Investment Solutions.

0712.1.1 **Administration of the Oath of Office to Newly Elected and Reappointed Trustees:** Sergeant John Flahavan of the San Mateo County Sheriff's Office administered the Oath of Office to: newly elected trustee Christopher Miller, who serves as the Safety Alternate; re-elected trustees David Spinello and Al David; and reappointed trustee Eric Tashman.

0712.1.2 **Presentation of Certificate of Appreciation to Alma Salas:** David Bailey and Mr. David presented Alma Salas with a certificate of appreciation for her service on the Board of Retirement. Ms. Salas also received flowers from the SamCERA staff. Ms. Salas noted how much she appreciated the work of the Board and staff.

0712.2.1 **Oral Communications From the Board:** Mr. Hackleman reported on his attendance at the Wharton Executive Education class regarding hedge funds held in San Francisco. Ms. Settles reported on her attendance at the GFOA conference in Chicago, and her attendance at the IFEBP CAPPP II class in Boston. Mr. David also reported on his attendance at the GFOA conference.

0712.2.2 **Oral Communications From the Public:** There were no comments from the public.

0712.3 **Approval of the Minutes:** Mr. David asked if there were any corrections to the minutes. None were noted.

**Action:** Mr. Hackleman moved to approve the minutes from the regular meeting held on July 24, 2012. The motion was seconded by Ms. Settles, and carried unanimously.

At this time, Mr. Tashman made comments on the assumed earning rate considered at the July 24<sup>th</sup> meeting. Mr. Tashman was not in attendance at the meeting but had concerns after reading the minutes. He stated for the record that he would have supported a lower assumption rate than the 7.50% approved by the Board.

0712.4 **Approval of the Consent Agenda:** Mr. David asked if there were any items to be removed from the Consent Agenda. The disability application for Maybelline Sharpe was removed from the Consent Agenda to a time certain of 2:30 p.m. The item to consider the Board's authority to decide an application for non-service disability retirement (Montisano), was removed, as the applicant and his legal counsel were unable to attend.

**Action:** Mr. Spinello moved to approve all remaining Consent Agenda items as listed below. The motion was seconded by Ms. Settles and carried unanimously.

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0712.4

**Consent Agenda**

**Disability Retirements**

The Board found that Yolanda Ayala is (1) disabled from performing her usual and customary duties as a Licensed Vocational Nurse, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board found that Elly Damian is (1) disabled from performing her usual and customary duties as an Office Assistant II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board found Anne Garrett permanently disabled from the duties of a Senior Community Program Specialist and granted survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Shellie Garrett.

The Board found Mohammad Rafiq permanently disabled from the duties of a Cook II and granted survivor benefits, pursuant to Government Code Section 31762, to the member's spouse, Famida Rafiq.

**Service Retirements**

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Thornton, Leon	March 13, 2012	Def'd from Probation
Witjman, David	March 22, 2012	Def'd from Environmental Health
Lewis, Jeffrey	March 24, 2012	Def'd from Aging & Adult Services
Heiliger, Maxine	March 31, 2012	Def'd from Public Health
Kato, Diana	March 31, 2012	Def'd from Environmental Health
Lee, Richard	March 31, 2012	Def'd from Public Health
Starmer, George	March 31, 2012	Def'd from Housing Dept.
Sowels, Dennis	April 12, 2012	Def'd from Aging & Adult Services
Grandsaert, John	April 18, 2012	Def'd from District Attorney
LaHaie, Keith	April 18, 2012	Def'd from Public Works
Sykes-Miessi, Joan	April 18, 2012	Def'd from Library
O'Callahan, William	April 28, 2012	Sheriff's Office
Atwood, Kathleen	May 1, 2012	Def'd from Building & Planning
Babwin, Richard	May 1, 2012	Def'd from Sheriff's Office
Mulgrew, Mark	May 1, 2012	Def'd from San Mateo Medical Center
Ellington, Hillarie	May 4, 2012	Public Health
Danese, Karen	May 5, 2012	Def'd from Library
Allen, Hellen	May 17, 2012	Probation
Driscoll, Celia	May 31, 2012	Sheriff's Office
Zapata, Elia	June 1, 2012	Behavioral Health

**Continuances**

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Bankord, Beja	Lindner, Cecilia
Bonner, Natasha	Bonner, James
Fakava, Kaufoon	Fakava, Heikoti
Jensen, Judith	Jensen, Jim
Ward, Joanne	Ward, Edward
Weston, John	Weston, Elaine

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**Consent Agenda (continued)**

**Deferred Retirements**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Vong, Kathy	G4 Vested
Baker, James	S4 Vested
Conway, Terese	G4 Vested
Chong, Wei	G4 Vested
Vasquez, Kristy	G4 Vested
Humphrey, Sharon	G4 Non Vested – Reciprocity
Introcaso, Denice	S2 QDRO
Hong, Margaret	G4 Vested – Reciprocity

**Member Account Refunds**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Birkby, Patricia	G4 Vested
Clemente, Marie	G4 Vested
Dodge-Navarrete, Sarah	G4 Non-vested
Feldcamp, Melissa	G4 Non-vested
Flatmoe, Chris	G4 Non-vested
Frei, Lukas	G4 Non-vested
Hernandez, Marcela	G4 Non-vested
Nikkel, John	G4 Vested
Papi, Tammy	G4 Non-vested
Partin, Marie	G4 Non-vested
Pene, Garrett	S5 Non-vested
Phillips, Lyndale	G5 Non-vested
Rodriguez, Renee	Ben. Of Avila, Jacklyn
San Mames, Juan	G4 Vested

**Member Account Rollovers**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Cross, Heather	G4 Vested
Dawkins, Michael	G2/3 Vested
Mar, May	G2 Non-vested
Nordhausen, Sarah	G4 Non-vested

0712.4

**Trustee Training Request**

The Board approved the request for trustee educational training, for Trustee Lauryn Agnew to attend SOCAP12 (Social Capital Markets 12), which will be held at Fort Mason Center in San Francisco, CA from October 1-4.

0712.4

**Ratification of Authorization and Power of Attorney Issued to Franklin Advisors to Take Certain Actions on SamCERA's Behalf**

The Board approved a resolution ratifying the Chair's July 9, 2012, execution of the "Legal Proceedings Authorization" and authorized the Chief Executive Officer to execute any necessary documents and take all actions to perfect the recovery of the 7.5% Senior Secured Notes issued by AMR.

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0712.4 **Ratification of Consent to Amend a Limited Partnership Agreement for an Alternative Investment**

The Board approved a resolution ratifying the Chair's consent for the general partner to execute the first amendment to the second amended and restated partnership agreements of Sycamore Partners, L.P., and Sycamore Partners A, L.P.

0712.5 **Benefit & Actuarial Service**

0712.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** The consideration of Maybelline Sharpe's disability application was moved until a time certain of 2:30 pm, and heard later in the meeting in closed session.

0712.5.2 **Approval of Questions for Annual Review of SamCERA's Actuarial Firm – Milliman Inc.:** Mr. Bailey presented the staff report. He discussed the procedure for determining actuarial questions and explained that Board members and staff would receive an email link to an online performance survey. Results from the survey and responses from Milliman will be presented to the Board in September.

**Action:** It was moved by the Chair to approve the questions for the annual review and the motion carried unanimously.

0712.5.3 **Consideration of Member's Request to Reconsider a Service Disability Retirement –** This item was postponed and taken up later in the meeting, as the member was not present. (See page 8.)

0712.6 **Investment Services**

0712.6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Bailey presented the monthly performance report to the Board.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	915,218,120	3.62	1.37	-0.95
International Equity	418,223,239	5.78	-13.85	-6.16
Total Equity	1,333,441,358	4.29	-3.53	-2.51
Private Equity	19,287,369	0.00	1.29	
Risk Parity	150,483,687	-0.00	3.72	
Hedge Fund	69,730,131	0.00	0.39	
Fixed Income	563,709,652	1.02	6.64	6.65
Real Estate	144,721,125	0.00	7.16	-1.12
Aggregate				
Commodities	69,902,427	3.93		
Cash Equivalents	5,334,594	0.03	0.67	0.77
<b>TOTAL FUND</b>	<b>2,356,610,343</b>	<b>2.75</b>	<b>-0.18</b>	<b>0.29</b>
Benchmark		3.18	1.42	1.80

Mr. David asked for the 8.0 Management Reports next, and heard the remainder of the agenda items in the order they appear below.

0712.8 **Management Reports**

0712.8.1 **Chief Executive Officer's Report:** Mr. Bailey discussed a San Mateo County Civil Grand Jury report regarding SamCERA and a related newspaper article. He explained the Grand Jury recommendations. The report was included in the day-of-meeting folder for the Board members. Mr. Bailey talked to the Board about his appearances before the Board of Supervisors, SCORPA, SEIU, ASFME and CALAPRS to give presentations and speeches about

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SamCERA and other retirement related topics. Mr. Bailey updated the Board about current staffing vacancies, noting the under-staffing in the investment area, and stating that LRWL would present a staffing study shortly. He announced that Mr. Michael Coultrip will start as CIO on August 6. Mr. Bailey discussed an issue in Contra Costa County regarding optional payment methods, stating that Ms. Carlson was working on this and all systems are monitoring this situation and the outcome.

- 0712.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that staff would be sending point-of-service surveys to members coming into the office, as opposed to the yearly member survey done previously. Ms. Smith stated the new survey is more detailed and would provide specific tracking information; she also noted a future survey would target customers who call SamCERA.
- 0712.8.3 **Chief Investment Officer's Report:** Mr. Bailey reiterated that Michael Coultrip will be starting on August 6, and noted that the Coultrip family visited SamCERA in June. Mr. Bailey informed the Board that Anthony Foley, who manages SamCERA's portfolio at DE Shaw, is now on medical leave.
- 0712.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board about new statutes in place regarding electronic signatures and education policies.
- 0712.7.1 **Monthly Financial Report:** Ms. Wong presented the Monthly Financial Report.
- 0712.7.2 **Quarterly Budget Report for Period Ended June 30, 2012:** Ms. Wong presented the staff report and called the Board's attention to the Professional Budget (attachment 1), stating that the Professional Budget was slightly over budget due to higher than anticipated investment fees. She also noted on the Administrative Budget (attachment 2), expenditures were slightly below anticipated; while medical evaluation costs, member education expenses and leased facilities outlays were higher. This item was informational only and no action was taken.
- 0712.7.3 **Approval of Topics for the Annual Independent Auditor Review – Brown Armstrong:** Ms. Wong presented the staff report and reviewed the "Questions for Annual Independent Auditor Evaluation" with the Board. An online survey regarding the audit firm's performance will be emailed to Board members, and the annual audit review is scheduled for the October Board meeting.
- Action:** Mr. Hackleman moved to approve the questions for the annual independent auditor evaluation. The motion was seconded by Mr. Bowler and carried unanimously.
- 0712.7.4 **Status of Annual Financial Audit:** Ms. Wong updated the Board on the financial audit and went over issues found during the process. She explained that samples of members' files were audited and problems discovered were resolved. The audit findings included a missing birth certificate; a final average salary miscalculation; time allowed between a member applying for retirement and actually retiring will be limited to 60 days to comply with the 1937 Act; and there were "pick up" amounts not calculated correctly for a small group of managers. Ms. Wong reported that the auditors would be returning in the final week of August to conclude their work.
- Mr. David adjourned the meeting for a short break at 2:08 p.m. The meeting reconvened at 2:25 p.m. and item 5.3 was heard next.

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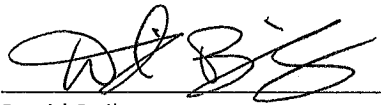
- 0715.5.3      **Consideration of Member's Request to Reconsider a Service Disability Retirement (Keenan):** Ms. Carlson recused herself and exited the Board room. Mr. Dan McGuire served as legal counsel in this matter. Mr. McGuire explained that this was not a consideration of whether the member's June 9, 2011 application should be granted or denied; but a determination of whether the Board has authority to consider the new application. Mr. McGuire went over the staff report and attachments, noting that the injuries were the same as documented in the member's 2001 and 2009 applications. Mr. McGuire discussed the chronology of this file and previous determinations from the hearing officer and superior court. Mr. McGuire recommended that the Board determine it lacks the authority to consider the member's June 9, 2011 application for disability retirement for injuries that resulted from events, which were the subject of prior applications that have been denied by the Board and were adjudicated.
- Action:** Mr. Tashman moved to accept the staff recommendation and agreed that the Board lacks authority to consider the June 9, 2011 application. The motion was seconded by Mr. Spinello and carried with a vote of 6-0-1, with Mr. Hackleman abstaining.
- It was further noted the time was 2:30 p.m. and the applicant was not in attendance. Ms. Carlson returned to the Board room.
- 0712 C1      **Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session:** Mr. David adjourned the meeting into closed session at 2:30 p.m. to hear the disability application of Maybelline Sharpe.
- 0712.9      **Report on Actions Taken in Closed Session:** The meeting was reconvened at 2:53 p.m. Ms. Carlson reported that the Board had met in closed session to consider the service-connected disability retirement application of Maybelline Sharpe.
- Action:** Ms. Carlson reported the Board unanimously acted to approve the staff recommendation, and to deny the service-connected disability retirement application of Maybelline Sharpe.
- 0712.6.2      **Report on the Annual Review of SamCERA's Domestic and International Equity Value Portfolios:** Mr. Patrick Thomas presented the staff report and reviewed the reports on meetings held with Barrow Hanley, The Boston Company and Mondrian. He stated that all managers were performing well and discussed specific details about each manager with the Board. Mr. Thomas and the Board discussed the performance of the Blackrock Growth Equity allocation. This item was informational only and no action was taken.
- 0712.6.3      **Strategic Investment Solutions' Semi-Annual Report on Capital Markets Expectations Update:** Mr. Thomas reviewed SIS's twice-yearly report with the Board. He discussed the changing risk levels and historical experience in the markets. Mr. Bailey congratulated Mr. Thomas on his appointment to the SIS Board of Directors. This was an informational item and no action was taken.
- 0712.7.5      **Ad Hoc Nominating Committee Report and Election of 2012-2013 Board Officers:** Mr. Hackleman updated the Board on the formation and activity of the Ad Hoc Nominating Committee. He reported that the committee met on June 6, via teleconference and that the recommendation of the committee was to nominate Sandie Arnott as Chair, Natalie Kwan Lloyd as Vice Chair and Lauryn Agnew as Secretary of the Board of Retirement. Mr. David asked if there were any other nominees, and there were none.
- Action:** Mr. Tashman moved to approve the nominations as recommended by the Ad Hoc Nominating Committee, and to elect those nominees as Board Officers for 2012-2013. The motion was seconded by Mr. Spinello, and passed unanimously.



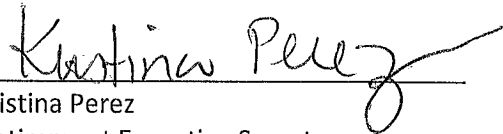
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With no further business, Mr. David adjourned the meeting at 3:21 p.m. in memory of the following deceased members:

Fakava, Heikoti	May 1, 2012	Deputy Sheriff
Devitt, Edward	May 4, 2012	Beneficiary of Devitt, Ana
Swindell, Vera	May 8, 2012	Economic Development Dept.
Evans, Mary	May 22, 2012	Public Guardian Office
Williams, Jan	May 23, 2012	Beneficiary of Williams, Marvin
Bettencourt, Ida	May 28, 2012	Chope Hospital
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Garrett, Anne	July 6, 2012	Family Health



David Bailey  
Chief Executive Officer



Kristina Perez  
Retirement Executive Secretary