

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

February 25, 2014

Agenda Item 3.2

January 28, 2014 – 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

2. Oral Communications

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

3. Approval of the Minutes

- 3.1 Approval of Regular Board Meeting Minutes, from December 10, 2013

4. Approval of the Consent Agenda

- 4.1 Disability Retirements
 - Filamer Ancheta
 - Robert Bates
 - Kathleen Brown
 - David Dennis
 - Maybelline Sharpe
- 4.2 Service Retirements
- 4.3 Continuances
- 4.4 Deferred Retirements
- 4.5 Member Account Refunds
- 4.4 Deferred Retirements
- 4.5 Member Account Refunds
- 4.6 Member Account Rollovers
- 4.7 Trustee Travel Request
- 4.8 Approval of Annual Review Questionnaire for SIS
- 4.9 Acceptance of Semi-Annual Compliance Certification Statements for Period Ending December 31, 2013

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Approval of Cost of Living Adjustments for 2014

6. Investment Services

- 6.1 Preliminary Monthly Performance Report for the Period Ending December 31, 2013
- 6.2 Discussion of Real Asset Portfolio Implementation Options (Special Meeting Item #4)
- 6.3 Direction to Staff Regarding Real Asset Portfolio Implementation (Special Meeting Item #5)
- 6.4 Approval of New Fixed-Income Manager Structure Proposal
- 6.5 Approval of the Angelo Gordon Opportunistic Whole Loan Fund
- 6.6 Discussion on Proposed Changes to the Investment Policy

7. Board & Management Support Services

- 7.1 Quarterly Budget Report
- 7.2 Update on Progress of SamCERA's Technology Modernization Project
- 7.3 Approval of Resolution Authorizing the Chief Executive Officer to Execute and Agreement with Vitech Systems Group, Inc. for a Pension Administration Software System
- 7.4 Approval of Recruitment Plans of Ad Hoc Committee on Succession Planning
- 7.5 Update on Plans for April 29 & 30, 2014 Board/Staff Retreat
- 7.6 Update of SamCERA Office Space Lease

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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
- C2 Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)
Halliburton Co. v. Erica P. John Fund, Inc. (Halliburton) U.S. Supreme Court No: 13-317

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Carey, Robert	November 16, 2013	District Attorney's Office
Mau, Louella	November 17, 2013	General Services
Ullah, Karen	November 17, 2013	Social Services
Smith, Martha	November 24, 2013	Animal Services
Herbinaux, Myrna	November 24, 2013	Health and Welfare
Hibner, Esther	November 25, 2013	Crystal Springs Rehab. Center
DeMartis, Felix	November 26, 2013	Assessor's Office
Au-Yeung, Benjamin	November 26, 2013	Mental Health Department
Williams, Judy	November 30, 2013	Child Support Services
Harper, Cornel	November 30, 2013	Parks
Reed, Carla	December 2, 2013	Probation
Drolette, Gail	December 2, 2013	Beneficiary of Drolette, Richard
Knupfer, Mavis	December 3, 2013	Social Services
Turner, Donald	December 4, 2013	Hospital
Erickson, Anita	December 4, 2013	Beneficiary of Erickson, George
Humphrey, Rilda	December 7, 2013	Schools
Morales, Roina	December 8, 2013	Human Services Agency
Giovannoni, Ida	December 12, 2013	Courts
Carter, Harold	December 19, 2013	Beneficiary of Carter, Dee
Guston, Claressa	December 19, 2013	Beneficiary of Guston, James
Spells, Robert	December 21, 2013	Hospital
Hyde, Wanda	December 24, 2013	Courts
Stekert, Peter	December 25, 2013	Beneficiary of Stekart, Mary
Somerville, Carol	December 26, 2013	Environmental Services Agency
Williams, Marjorie	December 31, 2013	Beneficiary of Williams, Walter

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January 28, 2014 – Regular Board Meeting Minutes

1401.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Natalie Kwan Lloyd, Chair, called the Regular Meeting of the Board of Retirement to order at 1:00 p.m.

Roll Call:

Present: Sandie Arnott, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, and David Spinello.

Excused: Lauryn Agnew, Michal Settles and Eric Tashman.

Alternates present: Alma Salas.

Staff: David Bailey, Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Mabel Wong, Elizabeth LeNguyen, Lilibeth Dames and Kristina Perez.

1401.2.1 **Oral Communications From the Board:** Mr. Spinello reported his attendance at the CALAPRS Advanced Principles of Pension Management for Trustees at UCLA, on January 23 and 24, 2014.

At this time, Mr. Bailey gave Ms. Arnott a pin from SACRS, acknowledging her many years of service on the SamCERA Board of Retirement.

1401.2.2 **Oral Communications From the Public:** None.

1401.3.1 **Approval of the Board Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the minutes, and none were noted.

Action: Mr. David moved to approve the minutes from the regular Board of Retirement meeting held on December 10, 2013. The motion was seconded by Mr. Spinello and carried with a vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.

1401.4.0 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if there were any items to be removed from the Consent Agenda. No consent agenda items were removed.

Action: Mr. Spinello moved to approve the items on the Consent Agenda, and the motion was seconded by Mr. David. The motion carried with vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.

1401.4.1

Consent Agenda

Disability Retirements

- a. The Board found that Filamer Ancheta is (1) permanently incapacitated for the performance of her usual and customary duties as a Licensed Vocational Nurse, (2) found that her disability was a 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 referred Robert Bates' application for service -connected disability retirement to a hearing officer.
- c. The Board found that Kathleen Brown is (1) permanently incapacitated for the performance of her usual and customary duties as a Program Coordinator II, (2) found that her disability was a 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.

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1401.4.1

Consent Agenda

Disability Retirements (con't)

- d. The Board found that David Dennis is (1) permanently incapacitated for the performance of his usual and customary duties as a Lead Estate Property Officer, (2) found that his disability was a result of an injury arising out of and in the course of his employment, (3) granted his application for a service-connected disability retirement.
- e. The Board (1) accepted the proposed findings and recommendations of the Hearing Officer, John Rosenthal, that Maybelline Sharpe's medical condition was not permanent at the time of the hearing, (2) found that Maybelline Sharpe is now able to perform her duties as a Benefits Analyst, and (3) denied her application for a service-connected disability retirement.

1401.4.1

Service Retirements

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

Member Name	Effective Retirement	Department
Andres, Adeline	October 16, 2013	Def'd. from Hospital
Albanes, Olga	November 16, 2013	Probation
Alejandrino, Leonila	November 30, 2013	Hospital
Balancio, Evelyn	October 26, 2013	Mental Health
Biag, Maria	November 1, 2013	Def'd. from Hospital
Cervantes, Liz	November 19, 2013	County Counsel
Cruz, Carmelita	October 9, 2013	Def'd. from Hospital
De Guzman, Teodora	October 4, 2013	Def'd. from Hospital
Dogelio, Thelma	October 29, 2013	Def'd. from Hospital
Doubleday, Frances	November 2, 2013	Courts
Fernandez, Gloria	October 6, 2013	Def'd. from Hospital
Florez, Joseph	November 30, 2013	Department of Public Works
Gacayan, Cres	October 18, 2013	Def'd. from Hospital
Gloria, Emilia	October 23, 2013	Def'd. from Hospital
Gontenas, Carmencita	November 18, 2013	Def'd. from Hospital
Haro, Fernando	November 7, 2013	Def'd. from HSA
Harper, Cornel	November 1, 2013	Parks Department
Iglesias, Utumporn	October 6, 2013	Def'd. from Hospital
Ignacio, Miguel	November 25, 2013	Def'd. from Hospital
Kamal, Mohammed	November 14, 2013	Def'd. from Hospital
King, Victoria	September 11, 2013	Courts
Kintanar, Oscar	October 31, 2013	Hospital
Layacan, Ma Erlinda	October 16, 2013	Hospital
Linaja, Violeta	October 4, 2013	Def'd from Hospital
Mondino, Carol	November 7, 2013	Assessor's Office
Murphy, Deanna	November 30, 2013	Human Services Agency
Pini, Richard	December 1, 2013	Human Services Agency
Raihan, Jaibul	October 5, 2013	Def'd. from Hospital

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1401.4.2 **Service Retirements** (con't)

Member Name	Effective Retirement	Department
Rainey, Maryann	November 7, 2013	Def'd. from Hospital
Ramirez, Armando	October 27, 2013	Libraries
Rudd, Margaret	October 26, 2013	Tax Collector's Office
Rulloda, Pacita	October 6, 2013	Def'd. from Hospital
Sakayama, Alan	December 1, 2013	ISD
Siddiqui, Elaine	November 1, 2013	Def'd. from Hospital
Tayo, Elna	October 8, 2013	Def'd. from Hospital
Torres, Dorothy	October 19, 2013	Human Services Agency
Villar, Edizalyn	November 3, 2013	Def'd. from Hospital
Wan, Carmen	October 16, 2013	Def'd. from Hospital
Wong, Shwu-Huey	October 4, 2013	Def'd. from Hospital

1401.4.3 **Continuances**

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

Survivor's Name	Beneficiary of
Orazem, Julia	Orazem, Anton
Stumbaugh, Bobbie	Stumbaugh, Nicholas
Galila, Mildred	Galila, Delfin
Herbinaux, James	Herbinaux, Myrna
Carey, Helen	Carey, Robert

1401.4.4 **Deferred Retirements**

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

Member Name	Retirement Plan Type
Sullivan, Denise	G4 Vested
Nissing, Deborah	G4 Vested
Caballero, Jessica	S4 Vested
Esguerra, Chris	G4 Vested
Yu, Jaslin	G4 Vested – Reciprocity
Mullarkey, Kevin	G4 Vested – Reciprocity
Roderick, Bohannon	G4 Vested – Reciprocity
Garabiles, Karen	G4 Vested – Reciprocity
Guillen, Rey	G4 Non Vested - Reciprocity
Mantz, Antoinette	G5 Non Vested - Reciprocity
Advincula, Kenneth	G4 Non Vested – Reciprocity

1401.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Gonzalez, Maria	G7 Non-vested
Aguado, Anthony	G4 Non-vested
Kremer, Diana	G4 Non-vested
Crawley, Adam	G7 Non-vested

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1401.4.5 **Member Account Refunds** (con't)

Schulz, Eric	G4 Vested
Derespini, Heidi	G4 Non-vested
Baltodano, Rosa	G7 Non-vested

1401.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
Seroff, Alexander	G7 Non-vested
Korda, Sarah	G4 Non-vested

1401.4.7 **Trustee Travel Request:** The Board approved the trustee travel request for Vice Chair Lauryn Agnew, as part of the Consent Agenda.

1401.4.8 **Approval of Annual Review Questionnaire for SIS:** The Board approved the annual review questionnaire for SIS, as part of the Consent Agenda.

1401.4.9 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ending December 31, 2013:** The Board accepted the Semi-Annual Certification Statements for the period ending December 31, 2013, as part of the Consent Agenda.

The Chair then called items 7.2 and 7.3 to be heard out of order. The remaining items were heard in the order listed below.

1401.7.2 **Update on Progress of SamCERA's Technology Modernization Project:** Chief Technology Officer, Tariq Ali, and Will Morrow, LRWL Project Manager, reviewed the progress of SamCERA's Technology Modernization Project with the Board. Mr. Morrow reviewed the status of the project, including electronic content management, business process reviews, data cleansing and change management. The RFP process and selection of a PASS vendor has concluded; staff is negotiating a contract with Vitech Systems Group. This item was for discussion only, and no action was taken.

1401.7.3 **Approval of Resolution Authorizing the Chief Executive Officer to Execute an Agreement with Vitech Systems Group, Inc. for a Pension Administration Software System:** Mr. Bailey gave background information on the selection of Vitech Systems Group as the PASS vendor, and explained that the contract negotiations were continuing, and expected to finish soon. Mr. Bailey thanked the PASS review committee of Tariq Ali, Gladys Smith, Scott Hood and Mabel Wong, who together with Will Morrow were instrumental in the RFP and selection process.

Action: Mr. Hackleman moved to approve a resolution authorizing the Chief Executive Officer to execute an agreement with Vitech Systems Group, Inc. for a pension administration software system. The motion was seconded by Mr. David, and carried with a vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.

1401.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.

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- 1401.5.2 **Approval of Cost of Living Adjustments for 2014:** Mr. Hood discussed the memo prepared by Milliman with the Board. He shared that Milliman had reported an increase in the CPI of 2.24% during 2013; which will yield a COLA for nearly all members who retire before April 2, 2014, equal to 2.0%.
- Action:** Mr. David moved to approve a resolution adopting the cost of living adjustments as recommended by Milliman, Inc. The motion was seconded by Ms. Arnott, and carried with a vote of 6-0 with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.6.1 **Preliminary Monthly Performance Report for the Period Ending December 31, 2013:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He noted that the net preliminary year-end return was estimated to be over 17%. SamCERA's return for December was estimated to be up 1.1%.
- 1401.6.2 **Discussion of Real Asset Portfolio Implementation Options (Special Meeting Item #4):** This item was heard during the Board's special meeting earlier in the day on January 28, 2014.
- 1401.6.3 **Direction to Staff Regarding Real Asset Portfolio Implementation (Special Meeting Item #5):** This item was heard during the Board's special meeting earlier on January 28, 2014. Mr. Coultrip reported the Board had considered three implementation options for SamCERA's real asset portfolio. After deliberating the Board chose to utilize SIS to implement the real assets portfolio.
- 1401.6.4 **Approval of New Fixed Income Manager Structure Proposal:** Patrick Thomas from SIS, and Mr. Coultrip reviewed the current structure and discussed the proposed changes with the Board members. Topics of discussion included risk and return, maintaining the integrity of SamCERA's asset allocation and increased robustness of the portfolio.
- Action:** Mr. Hackleman moved to approve the proposed fixed income manager structure. The motion was seconded by Mr. Bowler, and carried with a vote of 6-0, with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.6.5 **Approval of the Angelo Gordon Opportunistic Whole Loan Fund:** Colleen Casey, Jason Spiegel and Jonathan Lieberman from Angelo Gordon, attended the meeting and presented information about the Angelo Gordon Opportunistic Whole Loan (OWL) Fund to the Board. Board members asked questions about the expected returns and risks, and discussed the types and geographic locations of the loans being included in this fund. At the conclusion of their presentation, the Angelo Gordon team was excused from the Boardroom, and discussion continued.
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- Action:** Mr. David moved to approve an investment in the Angelo Gordon Opportunistic Whole Loan Fund. The motion was seconded by Mr. Bowler and carried with a vote of 6-0, with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.6.6 **Discussion on Proposed Changes to the Investment Policy:** Mr. Coultrip presented a red-lined version of the Investment Policy to the Board. Board members and Mr. Coultrip discussed how to best review and collaborate on the document. The consensus was to begin by focusing on Sections 1 through 8, and upon satisfactory completion of that portion, the discussion would move on to the remaining sections of the document. This item was for discussion only and no action was taken.
- 1401.7.1 **Quarterly Budget Report:** Ms. Wong presented the Quarterly Budget Report to the Board. She reviewed the three budget areas, Technology, Administrative and Professional, and reported that all areas were on track. This item was informational only and no action was taken.

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- 1401.7.4 **Approval of Recruitment Plans of Ad Hoc Committee on Succession Planning:** Mr. Hackleman, Chair of the Ad Hoc Committee on Succession Planning, reported that the committee had met on January 13 and is scheduled to meet again in mid-March. He reviewed the plans that were discussed at the meeting. Mr. Hackleman and the Board discussed the CEO review survey questions, which will include opportunities for feedback about the "ideal candidate" for the CEO position.
- Action:** Mr. David moved to approve the survey plans of the Ad Hoc Committee on Succession Planning. The motion was seconded by Mr. Spinello and carried with a vote of 6-0, with trustees Arnott, Bowler, David, Hackleman, Kwan Lloyd, and Spinello, all in favor; none opposed.
- 1401.7.5 **Update on Plans for April 29 & 30, 2014 Board/Staff Retreat:** Mr. Bailey opened the discussion, and went over the proposed retreat agenda with the Board. This item was for discussion only and no action was taken.
- 1401.7.6 **Update of SamCERA Office Space Lease:** Mr. Hood discussed his efforts to negotiate SamCERA's current lease for office space, which expires December 31, 2014. He is continuing to work with a broker, and to explore lease options within the current building, and also looking at the costs of moving. Mr. Hood will update the Board as additional information is received. This item was for discussion only and no action was taken.
- 1401.8.1 **Chief Executive Officer's Report:** Mr. Bailey thanked SIS for their assistance in evaluating the financials of Vitech Systems Group, as part of the due diligence in the PASS vendor selection.
- 1401.8.2 **Assistant Executive Officer's Report:** Mr. Hood reviewed a new pamphlet created by staff that explains the options available to an employee after separation from County employment. It was suggested that this pamphlet be sent to all County payroll clerks. Mr. Hood updated the Board on the progress of the electronic content management project, and thanked staff for completing the file conversion. He let the Board know about a compliment received from a member. Although the member was denied a service-connected disability, they still wrote to thank SamCERA staff for the way their application was handled. Mr. Hood mentioned the 1099s were mailed to retirees last week, and reminded trustees that Form 700s would be due soon. He will be bringing an item to the Board next month regarding PEPRA compensation limits, as required by law. In closing, he noted that SamCERA will be hosting a round table on reciprocity, and CalPERS and other '37 Act plan representatives will be present.
- 1401.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported that Chartwell was recently bought out, and staff will be monitoring for any issues that may result. He stated that he is working with SIS to find risk parity providers and will return to the Board next month to discuss and get direction. He noted the rebalancing function with the Clifton Group was engaged and began after the new year. Mr. Coultrip informed the Board that there were four expected responses to the RFP for custodian bank services, and the RFP responses will be due on February 18.
- 1401.8.4 **Chief Legal Counsel's Report:** None.
- 1401.9.0 **CLOSED SESSION** - The Chair adjourned the meeting into closed session at 3:35 p.m. to hear item C2. Mr. Spinello was excused for the remainder of the meeting and did not attend the closed session.
- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda:** None.

The meeting was reconvened at 3:48 p.m.

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C2 Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)

Halliburton Co. v. Erica P. John Fund, Inc. (Halliburton) U.S. Supreme Court No: 13-317

Action: Ms. Carlson reported that a motion was made by Mr. Hackleman and seconded by Ms. Arnott to approve SamCERA's joining of the amicus brief in the matter of *Halliburton Co. v. Erica P. John Fund, Inc.* to be filed by the law firm of Bernstein Litowitz on behalf of public sector institutional investors. Motion was unanimously approved.

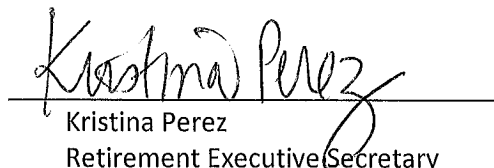
Board members present and participating: David, Bowler, Kwan Lloyd, Hackleman and Arnott. Also present was Ms. Salas (alternate).

1401.10 **Adjournment:** With no further business, Ms. Kwan Lloyd adjourned the meeting at 3:50 p.m., in memory of the following deceased members:

Carey, Robert	November 16, 2013	District Attorney's Office
Mau, Louella	November 17, 2013	General Services
Ullah, Karen	November 17, 2013	Social Services
Smith, Martha	November 24, 2013	Animal Services
Herbinaux, Myrna	November 24, 2013	Health and Welfare
Hibner, Esther	November 25, 2013	Crystal Springs Rehab. Center
DeMartis, Felix	November 26, 2013	Assessor's Office
Au-Yeung, Benjamin	November 26, 2013	Mental Health Department
Williams, Judy	November 30, 2013	Child Support Services
Harper, Cornel	November 30, 2013	Parks
Reed, Carla	December 2, 2013	Probation
Drolette, Gail	December 2, 2013	Beneficiary of Drolette, Richard
Knupfer, Mavis	December 3, 2013	Social Services
Turner, Donald	December 4, 2013	Hospital
Erickson, Anita	December 4, 2013	Beneficiary of Erickson, George
Humphrey, Rilda	December 7, 2013	Schools
Morales, Roina	December 8, 2013	Human Services Agency
Giovannoni, Ida	December 12, 2013	Courts
Carter, Harold	December 19, 2013	Beneficiary of Carter, Dee
Guston, Claressa	December 19, 2013	Beneficiary of Guston, James
Spells, Robert	December 21, 2013	Hospital
Hyde, Wanda	December 24, 2013	Courts
Stekert, Peter	December 25, 2013	Beneficiary of Stekart, Mary
Somerville, Carol	December 26, 2013	Environmental Services Agency
Williams, Marjorie	December 31, 2013	Beneficiary of Williams, Walter



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary