

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

March 25, 2014

Agenda Item 3.0

February 25, 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 Special Board Meeting Minutes, from January 28, 2014
 - 3.2 Approval of Regular Board Meeting Minutes, from January 28, 2014
- 4. Approval of the Consent Agenda**

<ol style="list-style-type: none">4.1 Disability Retirements<ul style="list-style-type: none">• Elizabeth Dames• Katherine Jackson• Bruce McKay• Lourdes Tan4.2 Service Retirements4.3 Continuances	<ol style="list-style-type: none">4.4 Deferred Retirements4.5 Member Account Refunds4.6 Member Account Rollovers4.7 Annual Review of SamCERA's Mission and Goals Statements
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- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
 - 5.2 Approval of a Resolution updating Contribution Rates for FY14-15
 - 5.3 Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement with Segal Consulting for Actuarial Audit Services
 - 5.4 Approval of a Resolution Authorizing the Chief Executive Officer to Use Calculations Performed by the California Actuarial Advisory Panel to Set the Annual Pensionable Compensation Limits for PEPRAs Members
- 6. Investment Services**
 - 6.1 Preliminary Monthly Performance Report for the Period Ending January 31, 2014
 - 6.2 Quarterly Investment Performance Report for the Period Ending December 31, 2013
 - 6.3 Discussion and Approval of Risk Parity Manager Shortlist Candidates
 - 6.4 Discussion and Approval of Proposed Changes to Investment Policy
 - 6.5 Annual Review of Investment Consultant, Strategic Investment Solutions

- 7. Board & Management Support**
 - 7.1 Preliminary Quarterly Financial Report for Period Ending December 31, 2013
 - 7.2 SamCERA's Receipt of Favorable IRS Determination Letter
 - 7.3 Approval of Resolution Authorizing the Chief Executive Officer to Execute an Agreement for Leased Space with Realty Associates Fund VII, LLP
- 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

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- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
- C2 Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9)
Parkin vs San Mateo County, Board of Retirement et al, San Mateo Superior Court Case CIV514173

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Fulcher, Betty	December 8, 2013	Assessor's Office
Ponty, Margaret	January 1, 2014	Libraries
Lemon, Noah	January 1, 2014	Hospital
Fontenot, Michelle	January 1, 2014	Public Health
Burner, Gerald	January 2, 2014	Housing and Community Development
Walsh, Marie	January 5, 2014	Probation
Omai, Misayo	January 11, 2014	Treasurer's Office
Spahn, Peter	January 15, 2014	Environmental Services
Gomez, Robert	January 16, 2014	Health Services
Marchant, Marjorie	January 18, 2014	Hospital
Shroyer, Nancy	January 18, 2014	Beneficiary of Shroyer, Chester
Todd, Virginia	January 23, 2014	Courts
O'Neal, Clarice	January 25, 2014	Courts
Smith, Juanita	January 25, 2014	Probation
Warden, Doris	January 25, 2014	Sheriff's Office
Abrams, Margaret	January 27, 2014	Social Services
Kenigson, Mildred	January 29, 2014	Hospital
Emery, Alphonso	January 30, 2014	Beneficiary of Emery, Annie

FEBRUARY 25, 2014 – REGULAR BOARD MEETING MINUTES

1402.1 **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: Lauryn Agnew, Sandie Arnott, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello and Eric Tashman.

Excused: Ben Bowler.

Alternates present: Christopher Miller, Alma Salas.

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

The meeting was adjourned after roll call, to convene in Closed Session, at 1:02 p.m.

The meeting was opened in public session again at 2:00 p.m.

1402.2.1 **Oral Communications From the Board:** Ms. Kwan Lloyd reported regarding her attendance at the CALAPRS Round Table in Burbank on February 7, also attended and reported by Ms. Agnew and Mr. Spinello.

1402.2.2 **Oral Communications From the Public:** None.

1402.3.1 **Approval of the Regular Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the Regular Meeting minutes, and none were noted.
Action: Mr. Hackleman moved to approve the minutes from the Regular Board Meeting held on January 28, 2014. The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

1402.3.2 **Approval of the Special Meeting Minutes:** Ms. Kwan Lloyd asked if there were any changes or corrections to the Special Meeting minutes, and none were noted.
Action: Ms. Agnew moved to approve the minutes from the Special Board Meeting held on January 28, 2014. The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

1402.4.0 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if there were any items to be removed from the Consent Agenda. ~~Item 4.7 was removed at the request of Mr. Bailey.~~
Action: Ms. Settles moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. David. The motion carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

1402.4.1

Consent Agenda

Disability Retirements

- a. The Board found that **Elizabeth Dames** is (1) permanently incapacitated for the performance of her usual and customary duties as a Library Technician II, (2) found that her disability was not a result of an injury arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.

1402.4.1 **Disability Retirements** (con't)

- b. The Board found that **Katherine Jackson** is (1) permanently incapacitated for the performance of her usual and customary duties as a Medical Services Assistant 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.
- c. The Board found that **Bruce McKay** is (1) permanently incapacitated for the performance of his usual and customary duties as a Deputy Sheriff, (2) found that his disability was a 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 found that **Lourdes Tan** is (1) permanently incapacitated for the performance of her usual and customary duties as an Office Assistant II, (2) found that her disability was not a result of an injury arising out of and in the course of her employment, (3) granted her application for a non-service-connected disability retirement.

1402.4.1 **Service Retirements**

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

Member Name	Effective Retirement Date	Department
Balingit, Nona	December 15, 2013	Hospital
Barnett, Sanford	December 28, 2013	Def'd. from EMS
Bautista, Celia	December 31, 2013	Hospital
Blessing, Pastora	January 1, 2014	Hospital
Chaney, Betty	December 4, 2013	Human Services Agency
Contreras, Maria C.	January 1, 2014	Hospital
DeConcini, Kathryn	December 31, 2013	Sheriff's Department
Finney, Chuck	January 1, 2014	District Attorney's Office
Lemaro, Maria	December 7, 2013	Aging and Adult Services
Miller, Thomas	December 9, 2013	Def'd. from Mental Health
Smith, Douglas P.	December 7, 2013	Human Services Agency
Sowerbrower, James	December 31, 2013	Def'd. from DPW
Torre, Michael	December 7, 2013	Human Services Agency
Torres, Deborah	December 28, 2013	Human Services Agency
Velasquez, Angelina	October 17, 2013	Def'd. from Hospital

1402.4.3 **Continuances**

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

Survivor's Name	Beneficiary of:
Turner, Barbara	Turner, Donald
Au-Yeung, Susanna	Au-Yeung, Benjamin
Humphrey, Clinton	Humphrey, Rilda

1402.4.4 **Deferred Retirements**

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

Member Name	Retirement Plan Type
Tran, Robert	G4 Non-vested - Reciprocity
Uch, Sovath	G4 Non-vested - Reciprocity
Schermerhorn, Russell	G4 Vested - Reciprocity

1402.4.4 **Deferred Retirements** (con't)

Member Name	Retirement Plan Type
Patterson, Michelle	Plan 3 Non-Vested - Reciprocity
Dolidze, Ekaterina	S4 Vested
Dempsey, Kristin	G4 Vested
Esguerra, Chris	G4 Vested
Olsson, Nancy	G4 Vested
Caballero, Jessica	S4 Vested
Monette, Lynette	G4 Vested
Ramirez, Lucy	G4 Vested

1402.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Balotro, Elisa	G4 Non-vested
Carey, Candace	G4 Non-vested
Clark, Charles	G4 Vested
Lagula, Michelle	G4 Vested
Nar, Asher	G4 Vested
Smith, Colin	S4 Non-vested
Frost, John	G5 Non-vested

1402.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
Lam, Robyn	G4 Non-vested
Collins, Shanna	G4 Non-vested
Jauregui, Fernando	G5 Non-vested
Chou, Raymond	G4 Non-vested

- 1402.4.7 **Annual Review of SamCERA's Mission and Goals Statements:** Mr. Bailey went over the changes in SamCERA's mission and goals statements with the Board, as the document in the agenda packet was not the most recent version.
Action: Mr. David moved to approve SamCERA's Mission and Goals Statements. The motion was seconded by Ms. Settles and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

- 1402.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** See Item 4.7 above.

- 1402.5.2 **Approval of a Resolution Updating Contribution Rates for FY14-15:** Mr. Bailey discussed the proposed contribution rate changes, stating the Board approved rates in September 2013; however AB 1330 changed some requirements and resulted in the updated rates. One change was to keep the actuarially calculated rate amount with no rounding.
Action: Mr. Hackleman moved to approve a resolution updating the contribution rates for FY14-15. The motion was seconded by Mr. David, and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.

- 1402.5.3 **Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement with Segal Consulting for Actuarial Audit Services:** Mr. Bailey discussed the benefits of regular auditing, and recommended a three-year frequency. Mr. Bailey recommended contracting with Segal Consulting, as they are familiar with SamCERA and the '37 Act requirements. The cost for this contract shows an increase of \$5000 from the last contract.
Action: Mr. David moved to approve a resolution authorizing the Chief Executive Officer to execute an agreement with Segal Consulting for actuarial audit services. The motion was seconded by Ms. Settles and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.
- 1402.5.4 **Approval of a Resolution Authorizing the Chief Executive Officer to Use Calculations Performed by the California Actuarial Advisory Panel to Set the Annual Pensionable Compensation Limits for PEPRA Members:** Mr. Hood presented the staff report and explained why the Board needed to take action to approve the use of the California Actuarial Advisory Panel's recommendations. He noted all similar systems will be doing the same thing.
Action: Mr. Hackleman moved to approve a Resolution Authorizing the Chief Executive Officer to Use Calculations Performed by the California Actuarial Advisory Panel to Set the Annual Pensionable Compensation Limits for PEPRA Members. The motion was seconded by Ms. Agnew and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.
- 1402.6.1 **Preliminary Monthly Performance Report for the Period Ending January 31, 2014:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. SamCERA's preliminary return for January was -2%. This item was informational only and no action was taken.
- 1402.6.2 **Quarterly Investment Performance Report for the Period Ending December 31, 2013:** Mr. Coultrip and Mr. Thomas presented the Quarterly Investment Performance Report, and noted that SamCERA's returns over the trailing 1 and 3 years result in a top quartile ranking among large public funds. Mr. Thomas and Mr. Brody went over the report from SIS, page by page, reviewing manager performance and commenting on specific items. This item was informational only and no action was taken.
- 1402.6.3 **Discussion and Approval of Risk Parity Manager Shortlist Candidates:** Mr. Coultrip and Mr. Thomas provided a summary of the managers that were reviewed in the risk parity universe, and then recommended that Bridgewater, PanAgora, and Invesco be selected as shortlist candidates to receive a Request for Information.
Action: Mr. David approved the shortlist candidates and directed staff to continue the process of selecting an additional risk parity manager. The motion was seconded by Ms. Settles and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.
- 1402.6.4 **Discussion and Approval of Proposed Changes to Investment Policy:** Mr. Coultrip went over the first five sections in the Investment Policy document with the Board members. There was much discussion and commentary. After discussing and deliberating on these sections, Board members directed staff to come back in March and continue the discussion of the other sections in the document. This item was for discussion only and no action was taken.
- 1402.6.5 **Annual Review of Investment Consultant, Strategic Investment Solutions:** Mr. Coultrip reviewed the results of performance review surveys that were sent to staff and trustees regarding the services provided by SIS. Mr. Coultrip reported that overall scores were very good, and had increased since the last evaluation, showing a high level of confidence and trust in SIS. This item was for discussion only and no action was taken.

The Board meeting was adjourned by the Chair, Ms. Kwan Lloyd, for a short break at 4:15 p.m., and reconvened at 4:25 p.m.

- 1402.7.1 **Preliminary Quarterly Financial Report for Period Ending December 31, 2013:** Ms. Wong reviewed the financial report with the Board. She explained the changes to the financial report now that it is presented to the Board on a quarterly basis. This item was for discussion only and no action was taken.
- 1402.7.2 **SamCERA's Receipt of Favorable IRS Determination Letter:** Mr. Bailey and Ms. Carlson discussed the contents and conditions of the IRS determination letter, and its importance for maintaining SamCERA's tax-exempt status. Ms. Carlson reported she is working with other '37 Act systems, and an updated IRS Determination letter request, that may address PEPPA related changes, is required to be filed before January 2016. This item was for discussion only and no action was taken.
- 1402.7.3 **Approval of Resolution Authorizing the Chief Executive Officer to Execute an Agreement for Leased Space with Realty Associates Fund VII, LLP:** Mr. Hood discussed his efforts to secure a lease for SamCERA's office space, including additional temporary office space for use during the term of the PASS project, within and beyond the current location. Based on his research and calculations, he determined it was not financially prudent to move to another location.
Action: Ms. Agnew moved to approve a resolution authorizing the Chief Executive Officer to execute an agreement for leased space with Realty Associates Fund VII, LLP. The motion was seconded by Mr. Hackleman and carried with a vote of 8-0, with trustees Agnew, Arnott, David, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman all in favor; none opposed.
- 1402.8.1 **Chief Executive Officer's Report:** Mr. Bailey queried the Board members in response to a trustee's inquiry, as to the time and length of Board meetings. Mr. Bailey asked if there was any interest in increasing the frequency of regular Board meetings to twice a month or changing the time of the meeting to earlier in the day. Board members discussed this and concurred that the addition of another meeting was not feasible for most schedules, but indicated a preference for an earlier start time when possible. Mr. Bailey notified the Board that the County's employee engagement survey results showed SamCERA is, again, the top scoring agency. Mr. Bailey reviewed the new requirement to record and report trustee education hours, and noted that SamCERA will report hours on a FY basis, beginning in July 2014. He reminded trustees to fill out and turn in their education hours forms. Mr. Bailey reported the Succession Planning Committee would meet on March 20, and that the CEO evaluation survey results will be compiled and reported.
- 1402.8.2 **Assistant Executive Officer's Report:** Mr. Hood reported that the active member newsletter was distributed, and copies were given to each trustee. He told the Board about the reciprocity round table hosted by SamCERA, with CalPERS and other '37 Act plan representatives participating. Mr. Hood stated that negotiations with Vitech for the PASS implementation were on-going. He added that the Web Member Services launch was proceeding with security testing, and would be "live" soon on the SamCERA website.
- 1402.8.3 **Chief Investment Officer's Report:** Mr. Coultrip informed the Board that three responses were received to the RFP for custodian bank services. A selection committee of Mr. Coultrip, Ms. Wong, Ms. Chezelle Milan, and Mr. Hood would be reviewing the proposals.
- 1402.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported that the judge issued two tentative rulings in the cases regarding pay elements and terminal pay for current employees in Alameda and Contra Costa Counties. The terminal pay determination does not affect SamCERA members, but rulings expected about "call-back" pay could be an issue.

1402.9.0 **CLOSED SESSION - Report on Actions Taken in Closed Session:**

- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda:** None.
- C2 **Conference with Legal Counsel-Existing Litigation (Gov Code 54956.9):** *Parkin vs San Mateo County, Board of Retirement et al, San Mateo Superior Court Case CIV514173*

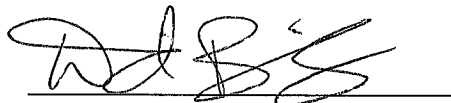
The Board met with counsel to discuss the decision of the Trial Court to grant the application for service-connected disability of Kathleen Parkin.

Patrick Richardson Esq. represented the fund and Daniel McGuire Esq. represented the Board. Brenda Carlson was not present. The action taken in closed session was as follows:

Action: In the matter of Parkin vs San Mateo County, a motion was made not to appeal the trial court decision. The motion was seconded and carried with a vote of 6-2, with trustees Agnew, Hackleman, Kwan Lloyd, Settles, Spinello and Tashman in favor, and trustees Arnott and David opposed. Also present during the discussion was alternate Alma Salas.

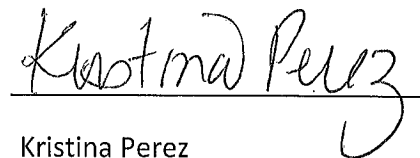
1402.10 **Adjournment:** Ms. Kwan Lloyd adjourned the meeting at 5:05 p.m. in memory of the following deceased members:

Fulcher, Betty	December 8, 2013	Assessor's Office
Ponty, Margaret	January 1, 2014	Libraries
Lemon, Noah	January 1, 2014	Hospital
Fontenot, Michelle	January 1, 2014	Public Health
Burner, Gerald	January 2, 2014	Housing and Community Development
Walsh, Marie	January 5, 2014	Probation
Omai, Misayo	January 11, 2014	Treasurer's Office
Spahn, Peter	January 15, 2014	Environmental Services
Gomez, Robert	January 16, 2014	Health Services
Marchant, Marjorie	January 18, 2014	Hospital
Shroyer, Nancy	January 18, 2014	Beneficiary of Shroyer, Chester
Todd, Virginia	January 23, 2014	Courts
O'Neal, Clarice	January 25, 2014	Courts
Smith, Juanita	January 25, 2014	Probation
Warden, Doris	January 25, 2014	Sheriff's Office
Abrams, Margaret	January 27, 2014	Social Services
Kenigson, Mildred	January 29, 2014	Hospital
Emery, Alphonso	January 30, 2014	Beneficiary of Emery, Annie



David Bailey

Chief Executive Officer



Kristina Perez

Retirement Executive Secretary