

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

October 28, 2014

Agenda Item 3.1

September 30, 2014 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 10:00 a.m.

- 1. Call to Order, Roll Call and Miscellaneous Business**
 - 1.1 Appointment by Chair of Board Committees
 - 1.2 Appointment by Chair of Ad Hoc Committee to Review the Medical Advisor
- 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 August 26, 2014
- 4. Approval of the Consent Agenda * (Set for 10:00 a.m. time certain)**

4.1 Disability Retirements	4.5 Member Account Refunds
4.2 Service Retirements	4.6 Member Account Rollovers
4.3 Continuances	4.7 Approval of Resolution Closing SamCERA's IRC 401(h) Account
4.4 Deferred Retirements	4.8 Approval of Trustee Training Request
- 5. Benefit & Actuarial Services *(Set for 1:00 p.m. time certain)**
 - 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
 - 5.2 Presentation of the June 30, 2014, Actuarial Valuation Report by Milliman, Inc.
 - 5.3 Presentation of June 30, 2014, Actuarial Valuation Audit by Segal Company
 - 5.4 Approval of Resolution Accepting the Fiscal Year 2015-2016 Employer and Member Contribution Rates and Recommendations
 - 5.5 Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.
- 6. Investment Services**
 - 6.1 Preliminary Monthly Portfolio Performance Report for the Period Ending August 31, 2014
 - 6.2 Approval of Resolution Amending the Investment Policy Securities Lending Provisions
 - 6.3 Acceptance of Report on the Fixed Income Manager Annual Reviews
- 7. Board & Management Support**
 - 7.1 Approval of Resolution Authorizing the CEO to Amend the Contract with Vitech, Inc. to Add the Vitech V3 Imaging Solution to the PASS Project
 - 7.2 Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2014 Business Meeting
- 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 Public Employee Appointment in Accordance With Government Code Section 54957.
Title: Chief Executive Officer
- C3 Conference with Labor Negotiators in Accordance with Government Code Section 54957.6
Designated Representatives: Brenda B. Carlson and Lisa Yapching
Employee Position: Chief Executive Officer

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9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Aguiar, Josephine	July 23, 2014	Human Services Agency
Gibson, Marquez	June 16, 2014	Parks
Greer, Donald	July 17, 2014	Probation
Heurlin, Margaret	June 17, 2014	Probation
Kidd, Joan	July 25, 2014	Crystal Springs Rehab. Center
McCune, John	July 4, 2014	Beneficiary of McCune, Helen
Norman, Barbara	July 4, 2014	Probation
Savoca, Josephine	July 23, 2014	Libraries
Schmiedel, Frank	July 5, 2014	Beneficiary of Schmiedel, Selma
Soppa, Lawrence	July 23, 2014	General Services
Torburn, Zora-Mae	July 28, 2014	General Services

SEPTEMBER 30, 2014 – REGULAR BOARD MEETING MINUTES

1409.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Lauryn Agnew, Chair, called the Regular Meeting of the Board of Retirement to order at 10:02 a.m.

Roll Call:

Present: Lauryn Agnew, Sandie Arnott, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd (arrived at 12:15 p.m.), Michal Settles, David Spinello (arrived at 10:15 a.m.), and Eric Tashman.

Alternates present: Alma Salas and Christopher Miller.

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

Consultants: Patrick Thomas (SIS); Paul Angelo and Andy Yeung (Segal); Nick Collier and Craig Glyde (Milliman).

Miscellaneous Business:

Mr. Bailey requested a change be made to Item C3, Conference with Labor Negotiators in Accordance with Government Code Section 54957.6, to reflect the replacement of Lisa Yapching with Donna Vaillancourt as one of the Designated Representatives.

Action: Mr. Hackleman moved to approve the change in the agenda to reflect Ms. Vaillancourt as a Designated Representative. The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Miller (for Spinello), Settles, Tashman all in favor; none opposed.

1409.1.1 **Appointment by Chair of Board Committees:** Ms. Agnew stated that the current committee members would remain on their respective Board committees for FY 2014-15, as follows:

Audit Committee: Paul Hackleman, Natalie Kwan Lloyd Sandie Arnott and Eric Tashman, Chair.

Investment Committee: Michal Settles, Lauryn Agnew, Ben Bowler and Al David, Chair.

Ad Hoc Succession Planning: Al David, Michal Settles, Ben Bowler, and Paul Hackleman, Chair.

1409.1.2 **Appointment by Chair of Ad Hoc Committee to Review the Medical Advisor:** Ms. Agnew stated the current members of the Ad Hoc Committee, which annually reviews SamCERA's Medical Advisor (Natalie Kwan Lloyd, Lauryn Agnew, Christopher Miller and Sandie Arnott, Chair), would remain on the committee for the duration of FY 2014-15.

1409.2.1 **Oral Communications From the Board:** Ms. Agnew reported her attendance at the P3 Summit, "Transforming Cities through Public-Private Partnerships" in San Francisco on September 23, 2014. Ms. Arnott, Mr. David and Ms. Settles reported their attendance at the Future of Corporate Reform Conference, sponsored by GMI Ratings, held in San Diego, from September 1-4, 2014. Ms. Settles also attended the Investment Trends Summit, sponsored by Opal Financial Group, in Santa Barbara, on September 8-10, 2014.

1409.2.2 **Oral Communications From the Public:** Ms. Salas reported her attendance at the Future of Corporate Reform Conference, sponsored by GMI Ratings, held in San Diego, from September 1-4, 2014.

1409.3.1 **Approval of Minutes:** Ms. Agnew asked if there were any changes to the minutes, and there were none.

Action: Mr. David made a motion to approve the regular meeting minutes from August 26, 2014, and the motion was seconded by Ms. Arnott. The motion carried with a vote of 8-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Miller (for Spinello), Settles, Tashman all in favor; none opposed.

Mr. Spinello arrived at this time, and took his seat on the dais. Mr. Miller then served as the alternate for Ms. Kwan Lloyd.

1409.4.0 **Approval of the Consent Agenda:** Ms. Agnew asked if there were any items to be removed from the Consent Agenda, and none were removed.

Action: Mr. Hackleman moved to approve all the items on the Consent Agenda, and the motion was seconded by Ms. Settles. The motion carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Miller (for Kwan Lloyd), Settles, Spinello and Tashman all in favor; none opposed.

1409.4.1 **Disability Retirements:** There were no disability retirement applications to consider at this meeting.

1409.4.2 **Service Retirements**

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

Member Name	Effective Retirement Date	Department
Barrett, Dori	August 28, 2014	QDRO
Bloomstine, John P	August 2, 2014	Health Services Agency
Davenport, Charles	August 25, 2014	Human Resources
Dorrance, Adriana Oseguera	July 12, 2014	Hospital
Galvis, Sheila	August 1, 2014	Behavioral Health
Gay, Robert B	August 30, 2014	Mosquito
Jacquemet, Jean F	August 16, 2014	Hospital
Kelly, Patricia E.	August 30, 2014	District Attorney's Office
Leong, Elizabeth H	August 6, 2014	Deferred from Public Health
Marquez, Diane	August 28, 2014	Behavioral Health
Netz, Warren W	August 30, 2014	Libraries
Pelter, Neil E.	August 9, 2014	Courts
Salazar, Ana M	August 23, 2014	Medical Center
Shirley, Harold L	August 8, 2014	Deferred from Assessor's Office

1409.4.3 **Continuances**

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

Survivor's Name	Beneficiary of
Soppa, Ruth	Soppa, Lawrence

1409.4.4 **Deferred Retirements**

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

Member Name	Retirement Plan Type
Eustaquio, Darwin	G4 Vested
Gill, Gurpreet S.	P4 Vested
Molina, Juan	G7 Vested
Pachmayer, Karen	G4 Vested
Sagar, Sunita	G2 Vested
Sugiyama, Glen	P4 Vested
Sonn, Michael K.	G4 Vested – Auto Defer
Weese, Danell S.	G4 Vested – Auto Defer

1409.4.5 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Adan, Sandra	G4, Vested
Bankhead, Allyson	G7, Non-vested
Berlanga, Leah	G2, Vested
Caldera, Doris	G7, Non-vested
Martinez, Lisette	G7, Non-vested
McFarland, Holly	G7, Non-vested
McKendrick, Donovan	G5, Non-vested
Otiniano, Marjorie	G7, Non-vested
Theodule, Myleah	G7, Non-vested
Valdez, Cynthia	G4, Vested
Watson, Geraldine	G7, Non-vested
Perez, Arturo	G7, Non-vested
Salada, Claudia	G4, G5, Non-vested

1408.4.6 **Member Account Rollovers**

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

Member Name	Retirement Plan Type
Battista, Anthony	G4, Non-vested
Bos, Karen	G4, Non-vested
Burns, April	G4, Non-vested
Cherrix, Erica	G4, Non-vested
DeCristofano, Matthew	G5, Non-vested
Kelly, Mark	G5, Non-vested
Nguyen, Thu	G4, Non-vested
Sanders, Mark	G7, Non-vested
Vaishya, Akhila	G5, Non-vested
Van Olst, Deborah	G7, Non-vested
Yao, Lily	G4, Non-vested
Skangos, Stephanie	G4, Non-vested
Guiney, Pamela	G4, Non-vested

1409.4.7 **Approval of Resolution Closing SamCERA's IRC 401(h) Account:** The Board approved the resolution closing the Medicare Part B and IRC 401(h) account.

1409.4.8 **Approval of Resolution Revising the Board's Regulations:** The Board approved the resolution amending its regulations in order that the regulations are consistent with the Internal Revenue Code ("IRC") and Treasury regulations.

1409.4.9 **Approval of Trustee Training Request:** The Board ratified the request of Lauryn Agnew to attend the P3 Summit, held on September 23, 2014.

1409.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None.

- 1409.5.2 **Presentation of the June 30, 2014, Actuarial Valuation Report by Milliman, Inc.:** Nick Collier, and Craig Glyde of Milliman, Inc., presented the Actuarial Valuation Report. They gave a detailed review of the report, and highlighted the way the County's supplemental lump sum contribution was included in the valuation. Board members asked questions; Mr. Collier and Mr. Glyde discussed the increase in SamCERA's funded ratio (from 73.3% to 78.8%), and the effects over time of the amortization of the unfunded liability. There was no action taken; this item was for discussion and information only.
- 1409.5.3 **Presentation of June 30, 2014, Actuarial Valuation Audit by Segal Consulting:** Mr. Paul Angelo and Andy Yeung of Segal Consulting presented their report and discussed the findings of the actuarial valuation audit with the Board. Segal determined the methodology used by Milliman was consistent with industry practice and Segal was in agreement with the results submitted by Milliman to the Board. There was no action taken, this item was for discussion and information only.
- 1409.5.4 **Approval of Resolution Accepting the Fiscal Year 2015-2016 Employer and Member Contribution Rates and Recommendations:** After discussing both the actuarial valuation, and the audit of the valuation, Board members were ready to take action.
Action: Mr. Hackleman moved to approve a resolution to 1) accept the employer and member contribution rates as recommended in the June 30, 2014 Actuarial Valuation, and 2) recommend approval of these rates by the Board of Supervisors. The motion was seconded by Mr. David and carried by a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Miller (for Kwan Lloyd), Spinello, Settles, and Tashman all in favor; none opposed.
- 1409.5.5 **Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.:** Mr. Bailey presented the results of the annual review of Milliman's services. The results were similar to last year's review, with trustees and staff rating Milliman's services highly, with scores of 4.65 to 4.74 out of 5. Staff expressed their gratitude to Milliman for their responsiveness to staff; and for their valuable assistance and collaboration while working to meet the new GASB 67/68 requirements, creating secure accounting structures for the proper utilization of the County's supplemental contributions, and for implementing changes to the interest crediting policy. There was no action taken, this item was for discussion only.
- The Board took a short break, adjourning at 11:38 a.m., and reconvening at 11:45 a.m. The next item 6.2 was heard out of order.
- 1409.6.2 **Approval of Resolution Amending the Investment Policy Securities Lending Provisions:** Mr. Coultrip reviewed how the Investment Policy was silent on the issue of "split-ratings" and did not address incidences when the two leading rating agencies showed differences in a borrower's credit rating. He stated this amendment will stipulate that in a case of a split-rating, the higher rating would be the one utilized by SamCERA. Board members and Mr. Coultrip discussed the risks and benefits of this amendment. A change in the resolution was suggested to require a minimum rating of A- .
Action: Mr. Tashman moved to approve the resolution amending the Investment Policy with the added criteria of a minimum of an A- rating, and the motion was seconded by Ms. Settles and carried by a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Miller (for Kwan Lloyd), Spinello, Settles, and Tashman all in favor; none opposed.
- 1409.6.1 **Preliminary Monthly Performance Report for the Period Ending August 31, 2014:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for August was + 1.75%, and the 12-month trailing was +15.9% (+16.3% gross). This item was informational only and no action was taken.

- 1409.6.3 **Acceptance of Report on the Fixed Income Manager Annual Reviews:** Mr. Coultrip reviewed the meetings staff had with SamCERA's Fixed Income Managers. Mr. Coultrip stated there were no areas of concern with any of the managers, and as a composite, the asset class was performing well. He and Mr. Thomas spoke about each fixed income manager and detailed each manager's strategies and performance to the Board. This item was informational only and no action was taken.

The Board adjourned for lunch at 12:16 p.m. and reconvened at 12:45 p.m.
Ms. Kwan Lloyd arrived during the lunch break and took her seat on the dais.

- 1409.7.1 **Approval of Resolution Authorizing the CEO to Amend the Contract with Vitech, Inc. to Add the Vitech V3 Imaging Solution to the PASS Project:** Mr. Bailey presented the staff report detailing the staff's recommendation to contract with Vitech for an imaging solution from Vitech, as opposed to internally programming the new PASS to integrate with the County's SharePoint imaging solution. The cost is \$200,000.

Action: Mr. David moved to approve the resolution authorizing the CEO to amend the contract with Vitech to add the imaging solution. The motion was seconded by Mr. Bowler and carried with a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Spinello, Settles, and Tashman all in favor; none opposed.

- 1409.7.2 **Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2014 Business Meeting:** Board members Lauryn Agnew and David Spinello were recommended as SamCERA's voting delegate and alternate, with David Bailey listed as the second alternate to cast votes on SamCERA's behalf at the SACRS Fall 2014 Business meeting.

Action: Mr. David moved to approve the voting slate as listed above. The motion was seconded by Ms. Kwan Lloyd and carried by a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Spinello, Settles, and Tashman all in favor; none opposed.

- 1409.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported that he had received a call from the press, for a public records request regarding retirees whose pensions were greater than \$200k per year, as well as those who earn more than \$100k. SamCERA has received 15 California Public Records Act (PRA) requests in the calendar year. Mr. Bailey announced that Margaret Jadallah has returned to work at SIS.

- 1409.8.2 **Assistant Executive Officer's Report:** Mr. Hood called attention to the calendar of events that was included in the Board members' folders, noting that an Audit Committee meeting is scheduled for October 28. He reported that staff was working on file integration in the PASS program, and Brown Armstrong was finishing up the financial audit tasks. Mr. Hood said SamCERA staff would be participating in the County's "Great Shake Out," an earthquake preparedness drill, on October 16, 2014.

- 1409.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported on rebalancing adjustments made in the past month to SamCERA's portfolio.

- 1408.8.4 **Chief Legal Counsel's Report:** Ms. Carlson gave a brief legislative report, of the new statues amending CERL and PEPRA. She further noted that the Trial Court determined that the Ventura initiative would not be on the ballot.


Ms. Agnew took the Board meeting into closed session at 1:10 p.m. to consider the following items. The meeting was reconvened to open session at 4:07 p.m. and action taken on the closed session items was reported as follows:

1409.C2 **Public Employee Appointment in Accordance With Government Code Section 54957.** Title: Chief Executive Officer
Report on Action: Mr. Bailey reported that the Board met in closed session to interview candidates for the CEO position. Following the interviews, a motion was made by Mr. Hackleman to offer the CEO position to candidate Scott Hood. The motion was seconded by Ms. Kwan Lloyd and carried by a vote of 9-0, with trustees Agnew, Arnott, Bowler, David, Hackleman, Kwan Lloyd, Spinello, Settles, and Tashman all in favor; none opposed. This appointment is effective November 9, 2014.

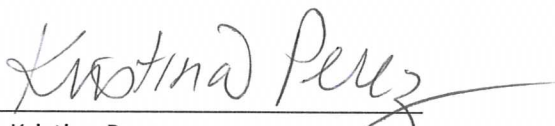
1409.C3 **Conference with Labor Negotiators in Accordance with Government Code Section 54957.6,** Designated Representatives: Brenda B. Carlson and ~~Lisa Yaping~~ Donna Vaillancourt, Employee Position: SamCERA's Chief Executive Officer
Report on Action: Ms. Carlson reported that no reportable action was taken.

1409.10 **Adjournment:** Ms. Agnew adjourned the meeting at 4:10 p.m. in memory of the following deceased members:

Aguiar, Josephine	July 23, 2014	Human Services Agency
Gibson, Marquez	June 16, 2014	Parks
Greer, Donald	July 17, 2014	Probation
Heurlin, Margaret	June 17, 2014	Probation
Kidd, Joan	July 25, 2014	Crystal Springs Rehab. Center
McCune, John	July 4, 2014	Beneficiary of McCune, Helen
Norman, Barbara	July 4, 2014	Probation
Savoca, Josephine	July 23, 2014	Libraries
Schmiedel, Frank	July 5, 2014	Beneficiary of Schmiedel, Selma
Soppa, Lawrence	July 23, 2014	General Services
Torburn, Zora-Mae	July 28, 2014	General Services



 David Bailey
 Chief Executive Officer



 Kristina Perez
 Retirement Executive Secretary