

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MAY 22, 2018 – REGULAR BOARD MEETING MINUTES

1805.10 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Mark Battey, Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

1805.1.1 Roll Call:

Present: Sandie Arnott, Mark Battey, Ben Bowler, Albert David, Alma Salas (for Paul Hackleman), Kurt Hoefer, David Spinello, and Shirley Tourel.

Absent: Paul Hackleman, Eric Tashman.

Alternates present: Susan Lee and Alma Salas.

Staff: Scott Hood, Gladys Smith, Michael Coultrip, Brenda Carlson, Lili Dames, Doris Ng, Elizabeth LeNguyen, Barbara Edwards, Tat-Ling Chow and Anne Trujillo.

Consultants and speakers: Margaret Jadallah, Stephen Quirk and John Nicolini (Verus); and Nick Collier (Milliman).

Appointment by Chair of Ad Hoc Nominating Committee for Board Officers

Mr. Battey announced the appointment of Ms. Arnott, Mr. Hoefer and Ms. Salas to the Ad Hoc Nominating Committee for Board Officers.

1805.2.1 Oral Communications from the Board: Mr. David reported his attendance at NCPERS Training in New York. The training included topics such as Board Governance, real estate investment and benchmarking.

1805.2.2 Oral Communications from the Public: Not until agenda item 5.2.

1805.3.1 Approval of Board Meeting Minutes: Mr. Battey asked if there were any changes or corrections, or objections, to the meeting minutes from the Special Board meeting held on April 24, 2018.

Action: Mr. David moved to approve the minutes from the Special Meeting on April 24, 2018. The motion was seconded by Ms. Arnott and carried with a vote of 7-0-1, with trustees Arnott, Battey, Bowler, David, Hoefer, Salas and Tourel all in favor; Mr. Spinello abstained; none opposed.

1805.4.0 Approval of the Consent Agenda: Mr. Battey asked if there were any items to be removed for discussion from the Consent Agenda other than the application for service-connected survivor benefits (William Dean) per request. No other items were removed.

Action: Mr. Spinello moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Hoefer. The motion carried with a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hoefer, Spinello, Salas and Tourel all in favor; none opposed.

1805.4.1 4.1 Disability Retirements

- a) The Board find that **Michael Quaid** is (1) permanently incapacitated from the performance of his usual and customary duties as a Program Counselor II, (2) find that his disability was not the result of an illness arising out of and in the course of his employment and (3) grant his application for a non-service-connected disability retirement.

1805.4.3 Member Name	Effective Retirement Date	Department
Aguilar, Ofelia	March 31, 2018	DAO
Aison, Alexander	March 24, 2018	H.S.A. - ESS
Aison, Catherine	March 24, 2018	H.S.A. - SIU

Armijo, Ronda	March 30, 2018	Probation
Arteaga, Lorenzo	March 27, 2018	Deferred from H.S.A.
Atijera, Esmirna	March 31, 2018	Health Services
Azzopardi, Elaine	March 24, 2018	H.S.A.
Bean, Jerry	March 30, 2018	DPW
Berger, Gaye	March 31, 2018	H.S.A.
Bertolucci, Estelle	March 31, 2018	Recorder's Deferred from Community Services
Bodamer, Shelley	March 10, 2018	DPW
Boeddiker, Edward	March 30, 2018	Sheriff's
Bovell, Marcel	March 24, 2018	H.S.A.
Branch, Karen	March 24, 2018	DPW/Hosp
Cayago, Arsenio	April 1, 2018	County Counsel
Chang, Cynthia	March 31, 2018	ISD
Chapman, Willie	March 31, 2018	H.S.A. - Finance
Clements, Eleanor	March 30, 2018	DPW
Coggins, Corey	March 31, 2018	HOS - Psychiatric Emergency Svcs
Cohen, Tracey	March 17, 2018	DPW
Costa, Joseph	March 30, 2018	Probation
Daniels, Henry	April 1, 2018	Probation
DeFelice, John	March 31, 2018	DPW
DeLuca, Donald	March 30, 2018	Deferred from CPS
Diaz, Maria C.	October 17, 2017	Health System
Dworkin, Diane	March 31, 2018	Courts
English, Starlette	March 6, 2018	HOS - Nursing
Evans, Elizabeth A.	March 31, 2018	H.S.A.
Falls, Lisabeth	March 3, 2018	Courts
Felise, Lynn	April 1, 2018	Probation
Fernando, Mario	March 31, 2018	Revenue Services
Fine, Robert	March 31, 2018	Aging & Adult Services
Fisk, Susan	March 31, 2018	Sheriff's
Flores, Michele	March 31, 2018	Probation
Foong, Joyce	March 31, 2018	Deferred from BHRS
Gerke, Carol	March 16, 2018	H.S.A.
Gilson, Christine	March 31, 2018	DPW
Golding, Ana	March 31, 2018	HOS - Psychiatric Emergency Svcs
Gorman, Helen	March 20, 2018	BHRS
Gross, Gloria	March 10, 2018	HOS - Long Term Care
Hart, Luz	March 31, 2018	Sheriff's
Hoskins, Leonard	March 10, 2018	Sheriff's
Howard, Mark	March 31, 2018	Sheriff's
Hurst, Carol	March 31, 2018	Deferred from Aging & Adult Serv
Hurst, Patricia	March 15, 2018	HOS - Medical Clinic
Jani, Amna	March 31, 2018	County Manager
Judilla, Reynalinda	March 31, 2018	Sheriff's
Justice, Gary	March 24, 2018	Sheriff's
Justice, Jerry	March 24, 2018	Probation
Kanhai, Shimon	March 23, 2018	Health - BHRS
Klyver, John	March 31, 2018	

Kong, Ken	March 31, 2018	H.S.A.
Kramer, Kimberly	March 6, 2018	Assessor's
Kumar, Veena	March 31, 2018	H.S.A.
Ladcani, Michelle	March 31, 2018	ISD
Lai, Tracy	March 31, 2018	Aging & Adult Services
Lau, Yin	April 1, 2018	Assessor's
Leipzig, Gregory	March 31, 2018	Deferred from Mosquito
Lennon, D. Edward	March 31, 2018	Mental Health
Marellich, Mark	March 31, 2018	DPW
Mariucci, Anthony	March 30, 2018	Sheriff's
Matsuura, Wesley	March 28, 2018	Sheriff's
McKague, Eddie	March 30, 2018	Sheriff's
McKowan, Melissa	February 26, 2018	D.A.O.
McMacken, Ines	March 13, 2018	H.S.A.
Molnar, Theresa	April 1, 2018	Probation
Moore, Jermaine	March 31, 2018	Probation
Morales, Teresa	March 31, 2018	Treasurer's
Moran, Patrick	March 31, 2018	Sheriff's
Morino, Jeffrey	March 24, 2018	Probation
Nader, Gerald	March 30, 2018	Sheriff's
Naidu, Tamara	March 31, 2018	HOS - Long Term Care
Nguyen, Kim T	March 31, 2018	H.S.A.
Niapas, Deborah	March 23, 2018	Probation
Nicholson, Darlene	March 31, 2018	H.S.A. - CFS
Olsson, Nancy	March 29, 2018	Deferred from Medical Center
Page, Janice	March 31, 2018	Sheriff's
Parker, Gloria	March 31, 2018	HOS - Outpatient Services
Patel, Pravin	March 31, 2018	H.S.A. - CFS
Pendleton, Donald	March 10, 2018	Agriculture
Perras, Todd	March 31, 2018	Probation
Presnall, Gailen	April 1, 2017	Behavioral Health
Reis, Clifford	March 24, 2018	Aging & Adult Services
Reyes, Armando	March 31, 2018	Courts
Riley, Harold	March 5, 2018	QDRO
Rivera, Angela	March 31, 2018	Tax Collector
Roberts, Romell V	March 26, 2018	Sheriff's
Rodriguez, Jesse Sy	March 31, 2018	DPW
Roldan, Nenita	March 31, 2018	Aging & Adult Services
Rupe, Vicki	March 23, 2018	Child Support Services
Saco, James	March 31, 2018	County Manager's Office
Sanchez, Frances	March 31, 2018	Family Health Services
Shankar, Mohini	March 30, 2018	H.S.A. - C&FS
Sibuciao, Wilma	April 1, 2018	HOS - ICU
Silver, Lawrence	March 24, 2018	Probation
Skucas, Deborah	March 31, 2018	Correctional Health
Sol, Miguel	March 31, 2018	Assessor's
Szto, Alicia	March 31, 2018	Coroner's
Thames, Beverly	March 31, 2018	ISD
Toni, Kelli	March 17, 2018	Deferred from Sheriff's

Turk, David	April 1, 2018	Deferred from DAO
Van Steen, Leon	March 31, 2018	ISD
Varner, Sandra	March 31, 2018	Public Safety Commission
Vera, Maria	March 30, 2018	HOS- Environmental Services
Waran, Subidra	March 31, 2018	County Counsel
Warren, Carol	March 31, 2018	Courts
Wilson-Henry, Regina	March 31, 2018	Probation
Wright, Anita	March 24, 2018	H.S.A.
Young, Daniel	March 31, 2018	Sheriff's

1805.4.4 Continuances:

The Board ratifies the actions as listed below for the following members regarding continues:

Survivor's Name	Beneficiary of:
Brake, Michael	Brake, Karen
Franz, Michelle	Heinaman, Barbara
Goth, Eivor	Goth, Theodore
Harper, Laurie	Harper, Gerald
Kraus, Caroline	Cutts, Gordon
Lee, Htoy	Lee, Pah
Roney-Carpenter, Joanne	Finney, Charles (Chuck)

1805.4.5 Deferred Retirements:

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

Member Name	Retirement Plan Type
Espana Garces, Mariana	G5, Vested
Kim Amanda	G4, Vested
Pasos Addy K.	G4, Vested- Reciprocity
Vaquerano Rafael E.	G4, Vested
Zabarte Joie	G7, Non-vested – Reciprocity

1805.4.6 Member Account Refunds:

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

Member Name	Retirement Plan Type
Hampel, John	G4, Non-vested
Lopez, Stephanie	G7, Non-vested
Mays, Sonia	G7, Non-vested
Mukherjee, Arpita	G7, Non-vested
Rodgers, Shane	G7, Non-vested
Wubneh, Askale	G7, Non-vested

1805.4.7 Member Account Rollovers:

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

Member Name	Retirement Plan Type
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Chaitow, Michelle
Payan, Melissa

G7, Non-vested
P7, Non-vested

1805.4.8 **Member Account Redeposits:** None.

1805.4.9 **Acceptance of Trustees' Reports of Educational Activities Through Outside Provider:** None.

1805.4.10 **Report on Prepayment of Employer Contributions:** The Board accepted the report on the County's Prepayment of Employer Contributions.

1805.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:**

The Chair called the matter of Elizabeth Brown-Dean's application for service-connected death benefits resulting from the death of William Dean. Ms. Brown-Dean was present and addressed the Board, in open session per her request. She provided additional information to the Board regarding Mr. Dean's job duties and working conditions. She set forth her position that the stress of his job caused or contributed to his death. She noted that her husband did not complain about work to others which is why there are no comments in his medical or employment records regarding the stress of his position.

Action: After consideration of Ms. Brown-Dean's comments and responses to questions posed to staff, Ms. Arnott motioned to accept staff's recommendation and find that: (1) William Dean's job as a Human Services Supervisor did not cause or contribute to his death; (2) deny the service-connected death benefit; and (3) grant a non-service-connected death benefit under Government Code Section 31781.1 (a). The motion was seconded by Mr. Hoefer. The motion was unanimously carried with a vote of 7-0-1 with trustees Arnott, Battey, Bowler, Hoefer, Salas, Spinello and Tourel in favor; and Mr. David abstained.

1805.5.2 **Approval of Actuarial Assumptions and Direction for Smoothing Methodology for the June 30, 2018**

Actuarial Valuation: Nick Collier, lead actuary from Milliman, Inc., discussed the continued use of the current economic actuarial assumptions for the June 30, 2018 actuarial valuation. Mr. Collier also discussed a proposed change to the five-year smoothing methodology that would further moderate changes in the employer's contribution rates.

Action: After discussion by the Board, a motion was made by Mr. Bowler and seconded by Mr. Hoefer to: (1) approve maintaining the following current economic actuarial assumptions: investment return at 6.75%; inflation at 2.50%; general wage and payroll growth at 3.00%; COLA assumptions of 2.5% for plan 1, 2.4% for plan 2; and 1.9% for plans 4, 5, 6 and 7, and (2) direct Milliman Inc. to use a modified smoothing methodology that includes a procedure to offset future gains and losses in the current period to further moderate changes in the employer's contribution rates. The motion was carried by a vote of 8-0 with trustees, Arnott, Battey, Bowler, David, Hoefer, Salas, Spinello and Tourel, all in favor; none opposed.

Richard Arrow of the San Mateo County Mosquito & Vector Control District raised the potential acceleration of the recognition of the District's supplemental contribution to reduce the District's unfunded actuarial accrued liabilities.

1805.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended April 30, 2018:**

Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for April was 0.6%, bringing the preliminary trailing twelve-month return ending April 2018 to 8% net. The twelve-month net return is below SamCERA's Plan Benchmark return of 9.8% but is higher than SamCERA's Actuarial Assumed Earnings Rate of 6.75%. This item was informational and for discussion only, no action was taken.

1805.6.2 **Report on Quarterly Investment Performance Report for the Period Ended March 31, 2018:**

Ms. Jadallah (Verus) discussed the 1st quarter net total return for the SamCERA portfolio was -0.5%, which was 20 bps higher than the -0.7% policy benchmark return. Private equity and fixed income were the main sources of relative outperformance, while hedge funds, absolute return and risk parity were the main detractors of relative performance during the quarter. This item was informational and for discussion only, no action was taken.

1805.6.3 Report on Real Estate Annual Reviews:

Ms. Ng reported the SamCERA staff and consultant held the annual review meeting on March 29 in SamCERA's office for the real estate debt manager, PGIM. On April 5, staff and consultant held the annual review meeting with INVESCO. The meetings consisted of a firm and organizational update, investment process review, performance review and attribution, and current positioning and market outlook. There were no significant concerns identified during the portfolio reviews. This item was informational and for discussion only, no action was taken.

1805.6.4 Approval of Change to Private Equity and Private Real Asset Policy Benchmarks:

Ms. Dames discussed the current set of benchmarks for SamCERA's private equity and private real assets programs. Staff proposed changing the private equity program policy benchmark to the Russell 3000 +3% (one-quarter lagged), and the private real assets policy benchmark to 50% S&P Global Infrastructure and 50% S&P Global Large-MidCap Commodity and Resources + 2% (one-quarter lagged). Staff also recommended these changes be effective April 1, 2018 so they may be utilized in the upcoming fiscal year ending June 30, 2018 quarterly performance report.

Action: Mr. David motioned to approve staff's recommendation to the changes to the policy benchmarks for SamCERA's private equity and private real asset programs effective April 1, 2018. The motion was seconded by Mr. Hoefler and carried with a vote of 7-0-1, with trustees Arnott, Battey, Bowler, David, Hoefler, Salas, and Tourel, all in favor; Spinello abstained; none opposed.

The meeting was adjourned for break at 11:20 a.m. and reconvened at 11:25 a.m.

1805.6.5 Approval of Updated Asset Allocation Policy Portfolio:

Ms. Jadallah and Mr. Quirk (Verus) discussed the Updated Asset Allocation Policy Portfolio. There were 5 proposed mixes to compare against our current policy. The primary difference between the mixes is the amount in risk parity. Proposed 1 (and 1a, which is a slightly more aggressive version of Proposed 1) contains no exposure to risk parity. Proposed 2 contains 4%, Proposed 3 contains 8% (current amount), and Proposed 4 contains 12% to risk parity. The other universal changes across all of the proposed mixes are a 1% reduction in private equity (and 1% corresponding increase to public equity) and utilizing low volatility equity and a 50% currency hedge for international developed equity as a way to dampen expected portfolio volatility. For the most part, all of the proposed mixes are similar in risk-adjusted returns, with the mixes containing higher risk parity exposure exhibiting higher expected returns and volatility (due to the leverage in the strategy).

Action: Mr. Bowler motioned to obtain the current allocation, Proposal 3. The motion was seconded by Mr. Hoefler and carried with a vote of 8-0 with trustees Arnott, Battey, Bowler, David, Hoefler, Salas, Spinello and Tourel, all in favor; none opposed.

1805.6.6 Approval of process as recommended by staff to select a MLP manager:

Mr. Nicolini (Verus) discussed the potential tactical opportunity in Master Limited Partnership (MLP) assets. Mr. Nicolini noted that MLP's are currently undervalued, while providing an attractive yield coupled with interesting growth prospects.

The meeting was adjourned for lunch at 12:30 p.m. and reconvened at 12:50 p.m. (Mr. Battey and Mr. Bowler left the meeting at 12:30 p.m.) Ms. Tourel replaced Mr. Battey as the Board Chair and continued the discussion of Agenda Item 6.6.

Action: Mr. Spinello moved to approve an investment of up to \$80 million with an MLP Manager to be selected by staff, subject to the process and parameters proposed by staff. The motion was seconded by Ms. Salas and carried with a vote of 5-1, with trustees David, Hoefer, Salas, Spinello and Tourel, in favor; and Arnott opposed.

1805.7.1 **Approval of SamCERA Fiscal Year 2018-2019 Budget:**

Ms. Chow discussed the proposed SamCERA budget for Fiscal Year 2018-19 budget, totaling \$35 million. Ms. Chow presented the specifics of the three components of SamCERA's budget: Professional, Administrative and Technology and answered a question from the Board.

Action: Mr. David moved to approve SamCERA's Fiscal Year 2018-19 budget. The motion was seconded by Mr. Spinello and carried with a vote of 6-0, with trustees Arnott, David, Hoefer, Salas, Spinello and Tourel, all in favor; none opposed.

1805.7.2 **Review of Draft Board Strategic Plan:**

Based on an internal analysis, Mr. Hood discussed that staff will continue to develop a draft for a three to five-year Board level strategic plan reflecting the long-term policies of the Board and will implement its strategy to carry out SamCERA's Mission and Goals. The Board and staff will regularly identify and analyze issues to determine if and how they may impact this strategy and whether any response is needed to address them. Mr. Hood also shared a draft vision statement with the Board; "To be a sustainable public retirement system through consistent and prudent investment in administration."

1805.8.1 **Chief Executive Officer's Report:**

Mr. Hood congratulated Mr. Battey and Mr. Tashman on their reappointments by the Board of Supervisors at their Board meeting. Mr. Battey and Mr. Tashman will be serving a new three-year term and will be sworn in at the July meeting, along with the trustees elected at the June Election. In addition, Mr. Hood mentioned that the SACRS magazine is included in the trustees' "Day of Folder" and he reminded the trustees about the Boards and Commissions reception hosted by the Board of Supervisors. Mr. Hood shared with the Board a card from Barbara Schumacher expressing her gratitude for the "Certificate of Adjournment" of her late husband, Gerald Schumacher. Lastly, Mr. Hood advised that at the next meeting there would be a strategic plan update and general information for the Board on SamCERA death benefits.

1805.8.2 **Assistant Executive Officer's Report:**

Ms. Smith reminded the Board to submit their \$25 to cover the non-recourse rider for the Fiduciary Liability Insurance. She gave a status update on trustee elections and that ballots have been mailed. Ms. Smith stated that she will send an email reminder to complete the Sexual Harassment Prevention Training for those trustees who have not yet completed it. Ms. Smith also mentioned Ms. Trujillo will be sending out a survey next week regarding thoughts on the Board/Staff Retreat that took place last month.

Ms. Trujillo shared the upcoming trainings/conferences with the Board and reminded SACRS and NCPERS attendees to submit their travel claims.

1805.8.3 **Chief Investment Officer's Report:**

Mr. Coultrip notified the Board that Faraz Shooshani will review the December 2017 Private Equity and Private Real Asset performance reports during the August meeting, and that staff will be disclosing the

AB 2823 Private Equity and Private Real Asset fee expenses, which will be the first disclosure under California Law. Mr. Coultrip informed the Board that SamCERA lost a re-up opportunity with Emergence Capital due to their AB 2833 disclosure concerns. He added that staff will be presenting a Real Estate pacing and allocation plan in either July or August. Lastly, Mr. Coultrip shared he attended the PGIM Real Estate Conference in New York last week. He provided positive insight on his experience.

1805.8.4 **Chief Legal Counsel's Report:** None.

C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.

1805.9.0 **Report on Actions Taken in Closed Session:** None.

1805.10 **Adjournment:** Ms. Tourel adjourned the meeting at 1:18 p.m. in memory of the deceased members listed below.

Hahn, Mark	March 9, 2018	Public Works
Gomez, Erma	April 1, 2018	Probation
Matson, Gloria	April 2, 2018	Tax Collector's Office
Gayle, Linford	April 4, 2018	Behavioral Health
Prasad, Angeline	April 5, 2018	Hospital
Li, Nancy	April 12, 2018	Sheriff
Fornes, Keven	April 14, 2018	Information Services
Gloria, Emilia	April 18, 2018	Medical Center
Belding, James	April 25, 2018	Sheriff
Saunders, Daniel	April 25, 2018	Assessor's
Gill, Eva	April 26, 2018	Health Services
Villaluna, Miguel	April 29, 2018	Controller's
Johnson, Frances	May 7, 2018	Social Service


 Scott Hood
 Chief Executive Officer


 Anne Trujillo
 Retirement Executive Secretary