

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
OCTOBER 30, 2018 – REGULAR BOARD MEETING MINUTES

1810.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Ms. Sandie Arnott, Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Sandie Arnott, Mark Battey, Ben Bowler, Al David, Paul Hackleman, Katherine O'Malley, Robert Raw and Eric Tashman.

Absent: Kurt Hoefer and Alma Salas.

Alternates present: Susan Lee.

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

Consultants and speakers: Joe Abdou and Stephen Quirk (Verus); and Andy Paulden (Brown Armstrong).

1810.2.1 Oral Communications from the Board: Ms. Arnott congratulated Mr. Hackleman on a job well done as President of IFEBP.

1810.2.2 Oral Communications from the Public: Ms. Smith introduced SamCERA's new Communication Specialist, Natasha Jeong, to the Board.

1810.3.1 Approval of the Minutes: Ms. Arnott asked if there were any changes or corrections, or objections, to the meeting minutes from the Board meeting held on September 25, 2018.

Action: Mr. David moved to approve the minutes from the Board Meeting on September 25, 2018. The motion was seconded by Mr. Hackleman and carried with a vote of 6-0, with trustees Arnott, Battey, David, Hackleman, O'Malley and Raw all in favor; Tashman abstained; none opposed.

1810.4.0 Approval of the Consent Agenda: Ms. Arnott asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

Action: Mr. Hackleman moved to approve the Consent Agenda, and the motion was seconded by Mr. Tashman. The motion carried with a vote of 6-0, with trustees Arnott, Battey, David, Hackleman, O'Malley and Raw, all in favor; none opposed.

1810.4.1 Disability Retirements:

a) The Board found that Prime Sterling is (1) permanently incapacitated from the performance of his usual and customary duties as a Custodian, (2) found that his disability was the 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.

b) The Board found that David Wilkinson is (1) permanently incapacitated from the performance of his usual and customary duties as a Communication Dispatcher, (2) found that his disability was the 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.

1810.4.2 Survivor Death Benefits: None.

1810.4.3 **Service Retirements:**

Member Name	Effective Retirement Date	Department
Avelar, Oscar	August 31, 2018	Probation
Baldassarre, Sonia	August 28, 2018	Public Health
Chenoweth, William	July 28, 2018	Sheriff's
Crooks, Alleen	May 14, 2018	Deferred from Probation
Delia, James	August 4, 2018	Retired G2, starting G3 pension
Edralin, Susan	July 18, 2018	Medical Center
Fox, Dwight	August 31, 2018	Behavioral Health & Recovery Services
Gallagher, Kathleen	August 20, 2018	Deferred from Public Works
Garcia Sandoval, Simon	August 31, 2018	Environmental Services
Kintanar, Telly	August 25, 2018	Tax Collector
Maharaj, Uma	September 1, 2018	Medical Center
Mollah, Mohammed	August 16, 2018	Deferred from Mental Health
Nelson, Matthew	August 4, 2018	Probation
O'Brien, James	August 4, 2018	Mosquito
Peralta, Emeterio	August 11, 2018	Aging & Adult Services
Pitt, Morley	August 18, 2018	District Attorney's Office
Rivera, Eda	August 8, 2018	HOS Medical Surgery
Siat, Roseller	September 1, 2018	HOS Medical Records
Toleikis, Barbara	August 22, 2018	Deferred from Courts
Zall-Recoder, Michelle	September 1, 2018	Juvenile Probation

1810.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Goodspeed, Ida	Goodspeed, Aldaniel
Rosa, Milalyn	Rosa, Samuel

1810.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Wiltron, Christopher	S5, Non-vested - Reciprocity
Cecil, Cameron L.	G7, Non-vested - Reciprocity
Castro, Elvira	G4, Vested - Reciprocity
Balajadia, Joyce C.	G4, Vested - Reciprocity
Davenport, Robert L.	G7, Non-vested - Reciprocity
Chow, Andrea	G7, Non-vested - Reciprocity
Esclamado-David, Jessica A.	G7, Non-vested - Reciprocity
Pasillas, Bianca L.	P7, Non-vested - Reciprocity
Weidmann, Andrea L.	G4, Vested - Reciprocity
Perdomo, Emilio R.	G4, Vested - Reciprocity
Sun, Wen Shiow	G4, Vested - Reciprocity
Diaz, Maria V.	G5, Vested - Reciprocity
Jain, Abhnandan	G4, Vested
Mc Cavitt, Thomas J	G4, Vested
Eriksson, Nirit S.	G7, Vested
Holeton, Miranda	G7, Vested

Mieke, Bryant	G4, Vested
Chen, Alice	G4, Vested

1810.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Barringer, Gregory	G7, Non-vested
Duggan, Kevin (FBO: Patrick Duggan)	G4, Vested
Hebert, Allene	G7, Non-vested
Mak, Mae	G5, Non-vested
Marte, Araselis	G4, Vested
Moore-Langston, Shannon	G7, Non-vested
Valle, Elena	G5, Non-vested

1810.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Anderson, Sharon	G7, Non-vested
Bundy, Jessica	G7, Non-vested
Duggan, Kevin (FBO: Patrick Duggan)	G4, Vested
Leier, Kaitlynn	G7, Non-vested
Marte, Araselis	G4, Vested
Rago, Emily	G7, Non-vested
Rose, Judy	G5, Non-vested

1810.4.8 **Member Account Redeposits:** None.

1810.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activities attended by Ms. Arnott, Mr. David, Ms. Lee and Ms. Salas.

1810.4.10 **SACRS Business Meeting November 2018:** The Board authorized SamCERA's Voting Delegate and Alternate to approve the minutes of the SACRS May 2018 Business Meeting and vote in the best interest of SAMCERA on any new action items that may be added to the November 2018 Business Meeting.

1810.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** None.

1810.6.1 **Report on Preliminary Monthly Portfolio Performance for the Period Ended 9/30/18:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for September 2018 was 0.03%, while the preliminary trailing twelve-month return ending September 2018 was 5.3% net. This item was informational and for discussion only, no action was taken.

Mr. Bowler arrived at 10:07 a.m. and took his seat at the dais.

1810.6.2 **Report on Opportunistic Credit Manager Annual Reviews:** Ms. Dames reviewed the meeting notes from the annual review of SamCERA's opportunistic credit managers: Angelo Gordon, Brigade Capital Management, White Oak and Tennenbaum Capital Partners. Staff met with Angelo Gordon, Brigade Capital Management and White Oak on September 13th and Tennenbaum Capital Partners on September 26th. There were no significant concerns identified during the portfolio reviews. This item was informational only, no action was taken.

- 1810.6.3 **Report on Inflation Hedge Manager Annual Review-State Street Global Advisors:** Ms. Dames reviewed the meeting notes from the annual review of SamCERA's inflation hedge manager, State Street Global Advisors (SSgA). Staff met with SSgA on October 4th and there were no significant concerns identified during the portfolio review. This item was informational only, no action was taken.
- 1810.6.4 **Approval of Low-Volatility Equity Manager Recommendation:** Ms. Ng reported to the Board that SamCERA staff and Verus completed due diligence visits with the three short-listed candidates: Acadian Asset Management, Martingale Asset Management and PanAgora Asset Management. Based on these meetings and due diligence materials, staff and Verus recommended allocating 3% of plan assets to Acadian's U.S. Managed Low Volatility Equity strategy and 3% of plan assets to PanAgora's Defensive U.S. Equity Low Volatility strategy.

Mr. Abdou continued to discuss the due diligence process and further discussed the recommendations for both strategies.

Lastly, Ms. Ng summarized the key highlights of the two strategies.

Action: Mr. Bowler motioned to approve the recommendation to hire Arcadian Asset Management and PanAgora Asset Management for a low volatility equity mandate with an initial investment of 3% of plan assets to each manager. The motion was seconded by Mr. David and carried a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hackleman, O'Malley, Raw and Tashman.

The Board adjourned into Closed Session at 10:48 a.m. to hear item 6.5. After the Closed Session, the Board took a 10 minute break at 11:05 a.m. then reconvened in Open Session at 11:15 a.m.

- 1810.6.5 **Discussion of Proposed Alternative Investments (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C2):** Ms. Carlson reported that no reportable action was taken in Closed Session.
- 1810.7.1 **Approval of Financial Audit Management Reports for the Fiscal Year Ended June 30, 2018:** Mr. Paulden, from Brown Armstrong, reviewed the independent financial audit performed by Brown Armstrong for the fiscal year ended June 30, 2018. He discussed the details of the audit process and stated SamCERA received an unqualified (clean) opinion.

Mr. Hood thanked Mr. Paulden, Ms. Casey and their team for their great work and professionalism.

Before the Board proceeded with an approval, Ms. Arnott called on Ms. O'Malley to report on the Audit Committee Meeting that took place on October 24th, 2018. Ms. O'Malley reported they were presented with the CAFR and financial audit report. Ms. O'Malley commented there were no formal recommendations made due to the lack of a quorum, however, there were no issues or concerns that arose.

Action: Mr. Tashman motioned to approve the Brown Armstrong's Financial Audit Reports for the fiscal year ended June 30, 2018. The motion was seconded by Mr. Hackleman and carried a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hackleman, O'Malley, Raw and Tashman all in favor; none opposed.

1810.7.2 **Approval of SamCERA's 2018 Comprehensive Annual Financial Report (CAFR):** Ms. Chow provided an oral report on the highlights of the 2018 CAFR, noting that SamCERA's funded status has increased from 84.3% to 87.5%.

Action: Mr. David motioned to approve SamCERA's 2018 Comprehensive Annual Financial Report. The motion was seconded by Mr. Raw and carried a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hackleman, O'Malley, Raw and Tashman all in favor; none opposed.

1810.7.3 **Approval of Board of Retirement Meeting Schedule for 2019:** Ms. Smith reviewed the proposed calendar for the 2019 Board Meetings and highlighted a few changes to next year's schedule.

Action: Mr. Battey motioned to approve the meeting schedule of the Board of Retirement for calendar year 2019. The motion was seconded by Mr. David and carried a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hackleman, O'Malley, Raw and Tashman all in favor; none opposed.

1810.7.4 **Report on Status of Actuarial RFP Process and Direction to Staff:** Mr. Hood provided the Board with an update regarding the Actuarial RFP Process advising there were 3 proposals submitted. Mr. Hood stated staff intends to present the information at the December Board Meeting and requested further direction from the Board on how they would like to proceed with the Actuarial RFP Process. Mr. Hood was given direction to provide the Board with staff's recommended selection for the Board's consideration and action in December. This item was informational only, no action was taken.

1810.8.1 **Chief Executive Officer's Report:** Mr. Hood shared with the Board a card received from Judy Dana expressing her gratitude for the "Certificate of Adjournment" of her late husband, Paul Dana. Mr. Hood mentioned two members of the SamCERA staff had retired last month so staff intends to fill those vacancies. He also informed the Board of the following topics to be reviewed at the December Board meeting: the education policy as well as reimbursement of travel expense policy, CEO Annual Review and topics for the upcoming Board/Staff retreat.

1810.8.2 **Assistant Executive Officer's Report:** Ms. Smith informed the Board that staff held their kickoff meeting with Vitech regarding a system update. She also informed the Board that staff is in the final stages of hiring a new Retirement Analyst.

Ms. Trujillo shared the upcoming educational events with the Board.

1810.8.3 **Chief Investment Officer's Report:** Mr. Coultrip mentioned a copy of the Performance Pulse was placed in the trustees' Day of Folders. He also mentioned the Private Equity and Private Real Asset Review will be the final review of the year and will be taking place on November 26, 2018 from 10:00 a.m. until 12:00 p.m. Mr. Coultrip also informed the Board that Verus will be providing a presentation on timber at the December Board meeting. Lastly, Mr. Coultrip mentioned staff will be sending out an annual review for Verus which will be sent through SurveyMonkey.

1810.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported that the oral argument for the 5 PEPRA related pension cases pending before California Supreme Court has not been set for November. A Trial Court in San Diego ruled that the lower formula adopted by Measure D in the County of San Diego can be implemented by SDCERA and that the PEPRA compensation cap will be applied to that formula.

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

1810.10 **Adjournment:** Ms. Arnott adjourned the meeting at 11:50 a.m. in memory of the deceased members listed below:

Knighen, Susie
Dobson-Ware, Gary
O' Connor, James
Jarmusz, Robert
Smith, Marlene
Pryor, Lee
Atesalp, Albert
Preece, Barbara
Goerss, Mary
Yee, Jeanne

August 14, 2018
August 27, 2018
September 11, 2018
September 17, 2018
September 20, 2018
September 21, 2018
September 28, 2018
September 30, 2018
October 5, 2018
October 9, 2018

Medical Center
Probation
Probation
Mental Health
Controller's
Treasurer's
Probation
Environmental Management
Health Services
Treasurer's



Scott Hood
Chief Executive Officer



Anne Trujillo
Retirement Executive Secretary