

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SEPTEMBER 25, 2018 – REGULAR BOARD MEETING MINUTES

1809.1 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, Kurt Hoefler, Katherine O'Malley and Robert Raw.

Absent: 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 and Anne Trujillo.

Consultants and speakers: Margaret Jadallah and John Nicolini (Verus); Nick Collier and Craig Glyde (Milliman).

1809.1.1 Announcement of Committee Appointments: Ms. Arnott announced the following appointments to Board Committees:

Audit Committee: Mark Battey, Katherine O'Malley, Alma Salas and Kurt Hoefler, Chair.

Investment Committee: Al David, Robert Raw, Eric Tashman and Ben Bowler, Chair.

CEO Performance Evaluation Committee: Kurt Hoefler, Susan Lee and Al David, Chair.

This item was informational only and no other action was taken.

1809.2.1 Oral Communications from the Board: Mr. Hackleman requested a list of IFEBP 2018 Annual Conference attendees for seating purposes.

1809.2.2 Oral Communications from the Public: Ms. LeNguyen introduced Stacy Groza-Davis, SamCERA's new Retirement Support Specialist, to the Board.

1809.3.1 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 August 28, 2018.

Action: Mr. Hoefler moved to approve the minutes from the Board Meeting on August 28, 2018. The motion was seconded by Mr. David and carried with a vote of 5-0, with trustees Arnott, David, Hoefler, O'Malley and Raw all in favor; Battey and Hackleman abstained; none opposed.

1809.4.0 Approval of the Consent Agenda: Ms. Arnott removed the disability application of Carlos Garcia from the Consent Agenda and asked if there were additional items to be removed. No additional items were removed. The disability application of Carlos Garcia was heard in closed session.

Action: Mr. Hackleman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Mr. Raw. The motion carried with a vote of 8-0, with trustees Arnott, Battey, David, Hackleman, Hoefler, O'Malley and Raw, all in favor; none opposed.

1809.4.1 Disability Retirements: The meeting went into closed session at 10:47 a.m. to consider item 1809.4.1 (C1). The Board reconvened once again in open session at 10:59 a.m. See report on item C1 below.

1809.4.2 **Survivor Death Benefits:** None.

1809.4.3 **Service Retirements:**

Member Name	Effective Retirement Date	Department
Benton, Bernestine	August 1, 2018	Health System
Chenoweth, William	July 28, 2018	Sheriff's
Ellison, Laura	August 1, 2018	Deferred from Aging & Adult Services
Gibbons, Linda	July 28, 2018	Sheriff's
Gorman, Michael	July 28, 2018	Planning & Building
Kahn, Michael	July 10, 2018	Correctional Health
Kwong, Ancy	July 27, 2018	Human Services Agency
Martinelli, Mark	July 13, 2018	Dept. of Public Works
Moon, Marcelle	July 28, 2018	Aging & Adult Services
Perez, Ramiro	July 26, 2018	Deferred from Sheriff's Office
Pettit, Tony	July 10, 2018	Probation
Saschin, Nicholas	July 21, 2018	Deferred from H.S.A.
Webb, Gary	July 14, 2018	Dept. of Public Works

1809.4.4 **Continuances:**

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

Survivor's Name	Beneficiary of:
Antonio, Gregorio	Antonio, Norma
Nelson, Gayle	Nelson, Glenn
Brown-Dean, Elizabeth	Dean, William

1809.4.5 **Deferred Retirements:**

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

Member Name	Retirement Plan Type
Sally, Michael David	G4, Vested
Guereca, Sandra	G5, Vested
David, Jaime Rafael Serranzana	G4, Vested
Wilcox, Carrie E	G4, Vested

1809.4.6 **Member Account Refunds:**

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

Member Name	Retirement Plan Type
Enriquez, Cristina (FBO: Pimentel, Nicholas)	G7, Non-vested
Fabiano, Joseph	G7, Non-vested
Kahkejian, Knar	G7, Non-vested
Kawakami, David	G7, Non-vested
Miranda, Carina	G4, Non-vested
Parkison, Lois	G4, Vested
Pettit, Christopher	S7, Non-vested
Sanchez De Leon, Israel	G7, Non-vested
Schneider, David	G4, Non-vested

1809.4.7 **Member Account Rollovers:**

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

Member Name	Retirement Plan Type
Gohata, Laurie	G2, Non-vested
Rubenstein, Laura	G7, Non-vested
Sanini, Matthew	S7, Non-vested
Tran, Anna	G4, Non-vested

1809.4.8 **Member Account Redeposits:** None.

1809.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activities attended by Ms. Lee, Ms. O'Malley and Mr. Raw.

1809.4.10 **Reaffirmation of Interest Crediting Policy:** The Board reaffirmed the Board's "Interest Crediting Policy".

1809.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** The Board met in closed session regarding the service connected disability application of Carlos Garcia. See report under C-1.

1809.5.2 **Presentation of the June 30, 2018, Actuarial Valuation Report by Milliman, Inc.:** Nick Collier and Craig Glyde of Milliman, Inc. presented the results and recommendations of SamCERA's Actuarial Valuation Report as of June 30, 2018. This item was informational and for discussion only, no action was taken. (This agenda item was taken out of order.)

Mr. Bowler arrived at 10:05 a.m. and took his seat at the dais.

1809.5.3 **Approval of Resolution Accepting Recommendations to be Made for Fiscal Year 2019-2020 Employer and Member Contribution Rates:** Nick Collier and Craig Glyde of Milliman, Inc. presented the recommended Statutory Contribution Rates and Employer and Member Contribution rates to the Board. (This agenda item was taken out of order.)

Action: Mr. Hackleman moved to approve the "Resolution Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2019-2020 Fiscal Year." The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hackleman, Hoefer, O'Malley and Raw all in favor; none opposed.

1809.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2018:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for August was 0.4%, bringing the preliminary trailing twelve-month return ending August 2018 to 6.4% net. The preliminary twelve-month net return is below both SamCERA's Plan Benchmark return of 7.6% and SamCERA's Actuarial Assumed Earnings Rate of 6.75%. This item was informational and for discussion only, no action was taken.

1809.6.2 **Report on Opportunistic Credit Manager Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's Opportunistic Credit managers. Staff met at SamCERA's office with PIMCO on August 16th and Beach Point Capital Management on August 30th. There were no significant concerns identified during the reviews. Staff will complete the remainder of the Opportunistic Credit manager annual reviews next month and will be discussed at a subsequent Board meeting. This item was informational and for discussion only, no action was taken.

1809.6.3 **Report on Real Estate Pacing Study:** Mr. Coultrip reviewed with the Board that the current interim target to real estate is 8%, but the long-term policy target will be increased to 10% over a multi-year period. He

then turned it over to Mr. Nicolini to further discuss proposed targets and allocation ranges for three real estate sub-categories: Core Real Estate, Value-Add Real Estate and Real Estate Debt. This item was informational and for discussion only, no action was taken.

- 1809.6.4 **Approval of Resolution Amending the Investment Policy:** Mr. Coultrip discussed proposed amendments to the Investment Policy Statement, three of which were new changes, with the remaining changes incorporating the Board's previously approved investment policies.

Action: Mr. Battey moved to approve the resolution amending the SamCERA Investment Policy Statement. The motion was seconded by Mr. Bowler and carried with a vote of 8-0, with trustees, Arnott, Battey, Bowler, David, Hackleman, Hoefer, O'Malley and Raw all in favor; none opposed.

- 1809.6.5 **Report on Low Volatility Equity Manager Short-List:** Ms. Ng informed the Board that SamCERA staff and Verus conducted the US large cap low volatility equity search and identified the initial subset of managers to send due diligence questionnaires. Upon further review, both staff and Verus then agreed on the short list of managers to conduct onsite due diligence visits.

Ms. Jadallah continued to discuss additional details on the process Verus utilized for the search and presented the three remaining low volatility managers. This item was informational and for discussion only, no action was taken.

- 1809.7.1 **Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2018 Business Meeting:** Mr. Hood informed the Board that SamCERA typically selects the highest ranking board officer who will attend the SACRS Fall 2018 Business Meeting as the voting delegate. Staff recommended the Board designate Susan Lee as the Voting Delegate and Scott Hood, CEO, as the First Delegate Alternate to cast SamCERA's votes at the SACRS Fall 2018 Conference.

Action: Mr. Battey motioned to approve staff's recommendation to designate Susan Lee as the Voting Delegate and Scott Hood, CEO as the First Delegate Alternate to cast SamCERA's votes at the SACRS Fall 2018 Conference. The motion was seconded by Mr. Hackleman and carried a vote of 8-0, with trustees Arnott, Battey, Bowler, David, Hackleman, Hoefer, O'Malley and Raw all in favor; none opposed.

- 1809.8.1 **Chief Executive Officer's Report:** Mr. Hood announced he would be attending the CALAPRS Administrator's Institute in Carmel. He informed the Board that staff has submitted their response to the Grand Jury Report. Mr. Hood mentioned he will be meeting with the County Budget Director to discuss the Supplemental Funding MOU. He updated the Board on the progress of the Request for Proposal (RFP) for actuarial services and will provide a further update at October's meeting. Mr. Hood also mentioned he intends to have the 2019 Board of Retirement Meeting Schedule at next month's meeting.

- 1809.8.2 **Assistant Executive Officer's Report:** Ms. Smith informed the Board that staff is in the process of recruitment for the Retirement Analyst position and interviews will begin next week.

- 1809.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported he and staff would be conducting due diligence manager meetings in Boston next week. He also mentioned staff is working with Verus and hopes to have a short list of credit managers for a potential private credit mandate. Mr. Coultrip also informed the Board of a potential education session on timber investments within the next coming months. He also informed the Board about the upcoming annual due diligence manager meetings with TCP, State Street, Standard Life GARS, AQR and PanAgora.

1808.9.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board on the five cases pending before the California Supreme Court in regards to vested rights and the application of PEPR.

C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** The Board met in closed session regarding the service connected disability application of Carlos Garcia.

The member was present and a translator was available.

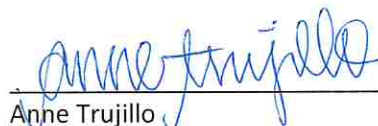
Action: There was a motion and a second to accept staff's recommendation and the Board : (1) found that Carlos Garcia is able to substantially perform his duties and (2) denied his application for a service-connected disability retirement. Motion was approved unanimously by Arnott, Battey, Bowler, David, Hackleman, Hoefler, O'Malley and Raw.

1808.10 **Adjournment:** Ms. Arnott adjourned the meeting at 11:49 a.m. in memory of the deceased members listed below.

Robertson, Bernice	August 10, 2018	Canyon Hospital Nursing Dept
Dana, Paul	August 11, 2018	Environmental Health
Estrada, Barbara	August 14, 2018	Superior Court
Tenvold, Patricia	August 15, 2018	Library
Gossett, Helen	August 18, 2018	Probation
Needle, Amelia	August 18, 2018	Mental Health
Tarkington, William	August 25, 2018	General Services
Rogers, Beverly	August 26, 2018	Sheriff's
Huffman, Margaret	August 28, 2018	Library
Morimoto, Fred	August 28, 2018	Public Works
Greene, Nancy	September 2, 2018	Probation
Trade, Daniel	September 5, 2018	Information Systems



Scott Hood
Chief Executive Officer



Anne Trujillo
Retirement Executive Secretary