

San Mateo County Employees' Retirement Association
Minutes of the Special (Retreat) Meeting of the Board of Retirement

May 22, 2012

Agenda Item 3.0

April 24 -25, 2012 – Special Board Meeting Agenda – RETREAT

Day 1: Agenda for Tuesday April 24, 2012

PUBLIC SESSION – The Board will meet in Public Session at 9 a.m.

1. Call to Order and Roll Call
2. Oral Communications
 - 2.1 Communication from the Board
 - 2.2 Communication from the Public
3. Retreat Activities
 - 3.1 Retreat Presentations and Discussions including:
 - SamCERA Portfolio Update
 - Assumed Earnings Rates
 - How GASB Changes will Affect SamCERA and Its Employers
 - Open Discussion
4. Approval of the Minutes
5. Approval of the Consent Agenda (**Set for 3:15 p.m. time certain.***)

<ul style="list-style-type: none">○ Applications for Disability Retirement<ul style="list-style-type: none">• Sadesh Majarah- service connected• Demetric Coleman- service connected○ Service Retirements○ Continuances○ Deferred Retirements	<ul style="list-style-type: none">○ Member Account Refunds○ Member Account Rollovers○ Trustee Conference Request○ SACRS Recommended Ballot -- 2012-13 Officers○ Approval of SACRS Voting Delegates
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- 5.1 Consideration of Items, if any, removed from the Consent Agenda
6. Investment Services (**The Investment Committee will not meet in April.**)
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Approval of Private Equity Investment Opportunity (**may be heard with Portfolio Update**)
 - 6.3 Approval of Agreement with Mondrian to Manage Vivacom Stock
 - 6.4 Report on Annual Manager Review - Franklin Templeton - Global Bonds
7. Board & Management Support Services
 - 7.1 Preliminary Monthly Financial Report for the Period Ending March 31, 2012
 - 7.2 Quarterly Budget Report
 - 7.3 Approval of Sources and Uses Budget

CLOSED SESSION - The board may meet in closed session prior to recess.

- C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
- C2 Public Employee Performance Evaluation in accordance with Government Code §54957
Title: Chief Executive Officer
9. Report on Actions Taken in Closed Session
10. Recess until 9:00 a.m. Wednesday, April 25, 2012 - **End of Day One – approximate end time 5:00 p.m.**

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Day 2: Agenda For Wednesday, April 25, 2012

PUBLIC SESSION – The Board will reconvene and meet in Public Session at 9 a.m.

1. Call to Order and Roll Call

2. Oral Communications
 - 2.1 Communication from the Board
 - 2.2 Communication from the Public

3. Retreat Activities
 - 3.1 Retreat Presentations and Discussions including:
 - Trading Costs Report
 - Infrastructure Investing
 - Open Discussion

12 NOON - BOARD AND STAFF LUNCHEON

- Determining Permanent Disability
 - New FPPC Regulations Regarding Gifts
 - Status of *SamCERA's* Technology Transitions
 - Open Discussion
4. Management Reports
 - 4.1 Chief Executive Officer's Report
 - 4.2 Assistant Executive Officer's Report
 - 4.3 Chief Investment Officer's Report
 - 4.4 County Counsel's Report

 5. Adjournment

April 24- 25, 2012 – Board Minutes

Day 1: Minutes for Tuesday April 24, 2012

0412.1 **Call to Order:** Mr. David, Chair, called the Special Meeting of the Board of Retirement to order at 9:04 a.m.

0412.1 **Roll Call:**

Present: Ms. Agnew, Ms. Arnott, Mr. David, Mr. Hackleman, Mr. Murphy, Mr. Spinello, Ms. Salas, Ms. Settles and Mr. Tashman. Ms. Kwan Lloyd arrived after the roll was called.

Excused: Mr. Bowler.

Staff: Mr. Bailey, Mr. Hood, Mr. Clifton, Ms. Carlson and Ms. Perez.

Consultants: Mr. Thomas, Mr. Brody and Mr. Shooshani from Strategic Investment Solutions.

0412.2.1 **Oral Communications From the Board:** Ms. Agnew reported her attendance at the Pension Bridge Conference and the Investors Institute. Mr. Hackleman reported on his attendance at Pension Bridge, as did Ms. Settles.

0412.2.2 **Oral Communications from the Public:** None.

0412.3 **Retreat Activities**

0412.3.1 **Retreat Presentations and Discussions**

SamCERA Portfolio Update: Mr. Bailey turned over this portion of the retreat to Mr. Clifton, and SIS Consultants Patrick Thomas and Jonathan Brody. Mr. Brody and Mr. Thomas presented SamCERA's portfolio update; a copy of the report was included in the agenda packet.

Mr. Thomas went over the history of SamCERA's portfolio and changing strategies, noting that SamCERA has broad asset class exposure and has added more diversification with global bonds and private equity over the years.

The Board adjourned for a break at 10:25 a.m. and reconvened at 10:40 a.m.

Discussion on SamCERA's portfolio continued between board members, Mr. Thomas and Mr. Brody. Conversation topics included TIPS, fixed income percentage, leverage, "chasing yields", and the European markets' influence, as well as specific questions to Mr. Thomas about the SamCERA portfolio structure. Mr. Thomas went over the "Ten Commandments of Strategic Planning" from page 22 of the report.

Mr. Faraz Shooshani discussed the history of SamCERA's involvement in private equity beginning in Q4 2010. He talked about manager selection and went through the Q4 2011 Private Equity Update page by page with the Board.

0412.6.2 **Approval of Private Equity Investment Opportunity:** Mr. Shooshani then presented the staff report for Agenda Item 6.2, which included due diligence materials. He discussed two opportunities with the Board. The first of which was Sycamore Partners. Members asked questions regarding amount of the recommendation, fund terms, legacy responsibilities, management fees and the team structure.

Action: Ms. Kwan Lloyd moved to adopt a resolution ratifying the execution of an agreement with Sycamore Partners for private equity investment management services, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. Spinello, and discussion continued. The motion carried with a vote of 6-2-1. AYES: David, Arnott, Kwan Lloyd, Hackleman, Settles, Spinello; NOES: Agnew, Tashman; ABSENT: Bowler. After a short break Mr. Shooshani continued his presentation of the second private equity opportunity with NEA 14. Mr. Shooshani described the company and discussed specifics of the fund with the board

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members. Members asked questions regarding the fund size, closing dates, management fees and status of the existing, fully deployed funds from NEA.

Action: Ms. Agnew moved to adopt a resolution ratifying the execution of an agreement with NEA 14 for private equity investment management services, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Ms. Kwan Lloyd. The motion carried unanimously.

AYES: David, Arnott, Kwan Lloyd, Agnew, Hackleman, Settles, Spinello, Tashman; ABSENT: Bowler
Chair David adjourned the meeting for lunch at 12:31 p.m.

Vice Chair Arnott reconvened the meeting at 1:15 p.m.

Mr. David was excused for the remainder of the day.

- 0412.3.1 **Assumed Earnings Rates:** Mr. Nick Collier presented the Investment Return Assumption report to the board members, this report was included in their "Day of Meeting" folders. Mr. Collier went through the report page by page and answered questions from board members. Topics of discussion included the amortization rate and date of payoff for the unfunded liability, current assumptions, contributory rates and the county contribution.

How GASB Changes will Affect SamCERA and Its Employers: Mr. Collier discussed the impact of proposed GASB changes on pension accounting, net pension liability, and new disclosure requirements.

Board members took a break at 2:33 p.m. The meeting resumed at 2:44 p.m.

- 0412.4 **Approval of March 27, 2012 Board Meeting Minutes:** Ms. Arnott asked if there were any corrections to the minutes and none were noted.

Action: Mr. Hackleman moved to approve the minutes of the Regular board meeting held on March 27, 2012. The motion was seconded by Ms. Kwan Lloyd, and carried with the following vote:

AYES: Arnott, Agnew, Kwan Lloyd, Hackleman, Spinello, Tashman; NOES: None

ABSENT: Bowler, David ABSTAIN: Settles

The following items (6.0 and 7.0) were taken out of order to accommodate the time certain of 3:15 p.m. for the Consent Agenda and expected appearance from an applicant.

- 0412.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton presented this informational report. There was discussion about lagging performance of a manager. With no stated objections, the report was accepted.
- 0412.6.3 **Approval of Agreement with Mondrian to Manage Vivacom Stock:** Mr. Clifton explained that Vivacom is an illiquid equity that was part of the terminated Artio Investment portfolio. This agreement will authorize one of SamCERA's current investment managers to oversee this equity and liquidate it when appropriate.
Action: Ms. Settles moved to adopt a resolution authorizing the chair to execute an agreement with Mondrian Investment Partners for management of Vivacom, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded by Mr. Tashman and carried unanimously, with the following vote:
AYES: Arnott, Agnew, Kwan Lloyd, Hackleman, Settles, Spinello, Tashman; NOES: None
ABSENT: Bowler, David
- 0412.6.4 **Report on Annual Manager Review – Franklin Templeton – Global Bonds:** Mr. Clifton reported on SamCERA's annual review with Franklin Templeton. Mr. Clifton, Ms. Agnew met with representatives from Franklin on April 5, 2012. The review included discussion about general economic issues and global outcomes. Ms. Agnew commented that Franklin had good insight. This item was informational and no action was taken.

- 0412.7 **Board & Management Support Services**
- 0412.7.1 **Preliminary Monthly Financial Report for the Period Ending March 31, 2012:** Mr. Clifton presented the preliminary monthly financial report and noted that assets have increased a small amount. This item was informational and no action was taken.
- 0412.7.2 **Quarterly Budget Report:** Mr. Clifton discussed the budget report with the board. He noted that the budget items are on track with the exception of lease expenditures and medical evaluations. This item was informational only and no action was taken.
- 0412.7.3 **Approval of Sources and Uses Budget:** Mr. Clifton presented the staff report and discussed the additional funds proposed for medical evaluation, office space and funding of three new positions. He explained that the funds are set aside but not expended until needed. Mr. Bailey confirmed that the staffing study from the IT project would assist in identifying the staffing needs. The final proposed budget will go to the County Board of Supervisors for approval. There was further discussion about the positions to be added, the IT project and budget, the layoffs within the county, and the county hiring freeze.
Action: Mr. Hackleman moved to approve the Sources and Uses Budget, the motion was seconded by Ms. Settles and carried unanimously.

The consent agenda was heard next at the time certain of 3:15 p.m.

- 0412.5 **Approval of the Consent Agenda:** Ms. Arnott asked if there were any items to be removed from the Consent Agenda, and consideration of the disability retirement application of Mr. Coleman was removed.
Action: Mr. Hackleman moved to approve the Consent Agenda items, with the consideration of Mr. Coleman's disability application removed. The motion was seconded by Ms. Settles and carried unanimously with Mr. David and Mr. Bowler absent.

Consent Agenda

Disability Retirements

The Board found that Sadesh Maharaj is (1) disabled from performing her usual and customary duties as a Patient Services Assistant II, (2) and further found her disability is service-connected and (3) granted her application for a service-connected disability retirement.

Service Retirements

Member Name	Effective Retirement Date	Department
Hunter, Angelina	January 20, 2011	Assessor
Scholle, Gavin	October 21, 2011	QDRO of Scholle, Lynn
Szentkuti, Katherine	February 4, 2012	Library
Tyler, Eldoretha	February 9, 2012	Def'd from San Mateo Medical Center
Counts, James	February 11, 2012	Mosquito and Vector Control District
Fasshauer, Nora	February 11, 2012	District Attorney
Amideo, William	February 15, 2012	Def'd from District Attorney
Henkin-Haas, Susan	February 15, 2012	Def'd from Human Services Agency
Galindo, Paul	February 18, 2012	Public Health
Dhingra, Shashi	February 20, 2012	Def'd from San Mateo Medical Center
Addis, Jean	February 24, 2012	Def'd from San Mateo Medical Center
Bello, Carol	March 1, 2012	Sheriff's Office
Cooper, Brenda	March 1, 2012	Def'd from Behavioral Health
Curran, Donald	March 1, 2012	Parks

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0412.5 **Continuances**

Survivor's Name	Beneficiary of
Alaimo, Loralynn	Alaimo, Robert
Andersen, Barbara	Andersen, John
De La Vega, Catalina	De La Vega, Bruno
Nelson, Thomas	Nelson, Janet

Deferred Retirements

Member Name	Retirement Plan Type
Day, Christopher	G2 Vested - Reciprocity
Schofield, Lani	G4 Vested - Reciprocity
Lenz, Sarah	G4 Vested - Reciprocity
McKee-Parks, Craig	S4 Vested

Member Account Refunds

Member Name	Retirement Plan Type
Billingsley, Janon	G4 Non-vested
Contreras, Nancy	G5 Non-vested
Cortes, Cynthia	G5 Non-vested
Dela Vega, Marie	G4 Vested
Lodge, Adam	G4 Non-vested
McLane, Jeffrey	G4 Non-vested
Salada, Claudia	G4 Non-vested

Member Account Rollovers

Member Name	Retirement Plan Type
Brennan, Robert	S4 Non-vested
Dunham, Allan	3/ G2 Vested
Villegas-Hernandez, Cristina	G4 Non-vested

Administrative Matters

The board approved of a board member's attendance at the Take Action 2012 Impact Investing Summit Conference.

The board designated Al David, Board Chair, as the Voting Delegate, David Spinello, Safety Board Member, as the First Delegate Alternate, and David Bailey, CEO, as the Second Delegate Alternate to cast *SamCERA's* votes at the Spring 2012 SACRS Conference.

CLOSED SESSION

- C1 **Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session:** The application for service connected disability retirement of Mr. Demetric Coleman was considered in closed session. The board adjourned into closed session at 3:18 p.m., and reconvened at 3:21 p.m.
Action: Ms. Carlson reported there was a motion and second to approve the staff recommendation to grant a non-service connected disability retirement. The vote was recorded as follows:
AYES: Arnott, Agnew, Kwan Lloyd, Settles, Spinello, Tashman
NOES: Hackleman ABSENT: Bowler and David
- C2 **Public Employee Performance Evaluation in accordance with Government Code §54957**
Title: Chief Executive Officer: The board adjourned into closed session at 3:24p.m. to discuss the performance evaluation of David Bailey. No action was taken.

0412.9 **Report on Actions Taken in Closed Session** – See page 5.

0412.10 **Adjournment:** Ms. Arnott adjourned the meeting at 3:50 p.m., scheduled to reconvene at 9:00 a.m. on Wednesday, April 25, 2012.

Day 2: Minutes For Wednesday, April 25, 2012

0412.1 **Call to Order:** Mr. David, Chair, called the Special Meeting of the Board of Retirement to order at 9:02 a.m.

Roll Call: *Present:* Ms. Agnew, Ms. Arnott, Mr. Bowler, Mr. David, Mr. Hackleman, Ms. Kwan Lloyd, Mr. Spinello, Ms. Salas, Ms. Settles and Mr. Tashman.

0412.2 **Oral Communications**

0412.2.1 **Communication from the Board:** Ms. Agnew said she would share a graph she created with the board members at the lunch break. She inquired about a news report regarding San Mateo County's offering of service credit and compensation to employees who voluntarily quit, and it was affirmed that these amounts do not impact final employee compensation formulas.

0412.2.2 **Communication from the Public:** None

0412.3 **Retreat Activities**

0412.3.1 **Trading Costs Report:** Mr. Clifton introduced Brian Greene and Vinod Pakianathan and reminded board members Mr. Greene and Mr. Pakianathan had previously presented an overview of trading costs analysis to the Board, and today's presentation is more in depth. Mr. Clifton noted due to the increase in active managers, staff is recommending using trading costs analysis for the next one to two years. Mr. Greene and Mr. Pakianathan presented a summary of trading costs, and discussed with Board members the process of calculating the costs, and how the analysis reports are used as part of an oversight program.

Mr. David adjourned the meeting at 10:18 a.m., reconvening at 10:30 a.m.

Infrastructure Investing: Mr. Clifton introduced Joel Damon and Steve Weddle from J.P. Morgan who discussed infrastructure investments with the board. Mr. Damon and Mr. Weddle presented their report and gave an overview of infrastructure opportunities. They discussed the addition of infrastructure investments as a component of a real asset profile. Discussion topics also included the volatility and risk of infrastructure investments, use of leverage and long term value of such investments.

Mr. David adjourned the meeting for lunch at 12:30 p.m. The Board reconvened at 1:20 p.m. Mr. Bowler was excused for the remainder of the day.

Determining Permanent Disability: Dr. Henry Brodtkin, medical advisor for *SamCERA*, presented his report to the board and discussed common job related injuries that can result in disability, their treatments and outcomes.

New FPPC Regulations Regarding Gifts: Ms. Carlson reviewed gift policies and reporting requirements with board members, and provided one hour of public service ethics education to those present.

The record indicates that Mr. Spinello and Mr. Tashman were excused after the FPPC discussion.

Status of *SamCERA's* Technology Transitions: Mr. Will Morrow, of L.R. Wechsler, Ltd. (LRWL), presented an outline of the IT project and business process re-engineering. He explained various components of the project and went over timelines and expected impacts to service. There was discussion concerning the

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creation of the RFP and the need to include performance standards, contingencies, and support.

Open Discussion: The floor was open for discussion of any topic. A question was asked about the composition of the Investment Committee and the process by which the committee makes recommendations to the full board. There were comments and questions about the number of board members seated on the Investment Committee and if the number can be increased. It was suggested that this topic be revisited when there is more information at a future board meeting. Open discussion continued. Topics brought up by board members included setting time aside for study sessions or special meetings where the schedule is lighter and subjects such as investment strategies can be discussed in more depth and detail.

0412.4 Management Reports

0412.4.1 **Chief Executive Officer's Report :** None

0412.4.2 **Assistant Executive Officer's Report:** None

0412.4.3 **Chief Investment Officer's Report:** None

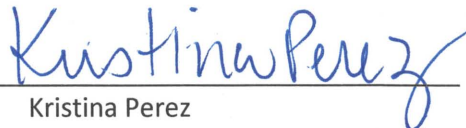
0412.4.4 **County Counsel's Report:** Ms. Carlson discussed the current news on pension reform with the board, and provided a list of pending legislation potentially effecting *SamCERA*.

0412.5 Mr. David adjourned the meeting at 4:42 p.m. The meeting was closed in memory of the following deceased members:

Hallock, James	February 8, 2012	Beneficiary of Hallock, Maria
Cerelli, Renata	February 19, 2012	Library
Demps, Bernice	February 20, 2012	San Mateo Medical Center
McPartland, Adele	March 2, 2012	Library
McClelland, Jeanne	March 5, 2012	Social Services
Smith, Beverly	March 5, 2012	Beneficiary of Smith, Earl
Stone, William F	March 8, 2012	Beneficiary of Stone, Estelle
Carlson, Robert	March 10, 2012	Beneficiary of Carlson, Elfrieda
Rucker-Jackson, Gerladine	March 10, 2012	Crystal Springs
Saq, Ekulalilit	March 10, 2012	Probation
Reyna, Ambiro	March 14, 2012	Human Services Agency
Lindner, Cecilia	March 23, 2012	San Mateo Medical Center
Tovar, Guillermo	March 24, 2012	District Attorney's Office
McGinty, Yva Jean	March 29, 2012	San Mateo Medical Center
De Lario, Dorothy	March 30, 2012	District Attorney's Office



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary