

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

January 22, 2013

Agenda Item 3.0

December 11, 2012 – 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

2. Oral Communications

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

3. Approval of the Minutes

- 3.1 Audit Committee Minutes
- 3.2 Board Meeting Minutes

4. Approval of the Consent Agenda

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

- Disability Retirement Applications
 - Penni Pavis
 - Christine Pepe
 - Anthony Torrey
- Service Retirements
- Continuances Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Approval to Reinstate Retired Member to Active Service
- Approval of Amendment to LPA Alternative Investment

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda (Set for time certain at 1 p.m.*)
- 5.2 Approval of Resolution Adopting Member and Employer Contribution Rates for PEPRA Members
- 5.3 Approval of Resolution Defining Compensation Earnable (\$31461) for Applicable San Mateo County Mosquito & Vector Control District Members
- 5.4 Approval of Resolution Defining Pensionable Compensation (\$7522.34) for Applicable San Mateo County Mosquito & Vector Control District Members

6. Investment Services

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Presentation Regarding 130/30 Investing with D.E. Shaw
- 6.3 Discussion and Approval of Changes to Domestic Equity Manager Structure
- 6.4 Quarterly Investment Performance Report for the Period Ending September 30, 2012
- 6.5 Report on the Annual Review of SamCERA's Private Equity Program
- 6.6 Large-Cap Growth Manager Search – Update
- 6.7 Discussion on Proposed Changes to the Investment Policy
- 6.8 Annual Review of Investment Consultant, Strategic Investment Solutions
- 6.9 Summary of Action Regarding Private Equity Opportunity (to be heard in Closed Session, see item C2)

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Approval of Resolution Authorizing Contract with BCS Systems, Inc. for Imaging Services

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- 7.3 Approval of Resolution Authorizing Contract Extension for Brown Armstrong Inc.
- 7.4 Update on Audit Research Regarding Final Average Compensation Calculations

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 and Appropriate for Closed Session
- C2 Summary of Action Regarding Private Equity Opportunity
- C3 Conference with Legal Counsel - Existing Litigation: Pursuant to subdivision (a) of Government Code Section 54956.9, *In re: Dendreon Corporation Class Action Litigation*, United States District Court Western District of Washington at Seattle, Master Docket No. C11-1291 JLR

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Smithson, Kathleen	September 16, 2012	Library
Ferraro, Catherine	September 25, 2012	Courts
Perroset, Marjorie	September 29, 2012	Courts
Outzen, Phyllis	October 9, 2012	Courts
Young, Sandra	October 11, 2012	Health Services
Flinn, Phillis	October 13, 2012	Ben of George Flinn
South, Betty	October 14, 2012	Ben of Richard South
Wang-Yip, Yuen	October 15, 2012	Medical Center
Keller, Joan	October 16, 2012	Ben of Billy Keller
Stoll, Joanne	October 19, 2012	Def'd from DAO
Carlson, Louise E	October 20, 2012	Courts
Kimble, Joseph	October 20, 2012	Def'd from Sheriff's
Hukill, Edwin	October 22, 2012	Mental Health
Johnson, Elaine	October 22, 2012	Public Health
Perez, Ventura	October 29, 2012	Ben of Raymond Brown
Marsden, Cynthia	October 31, 2012	General Services
Perez, Alma	October 31, 2012	Central Services

David Bailey, Chief Executive Officer

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December 11, 2012– Board Minutes

1212.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Ms. Sandie Arnott, Chair, called the Public Session of the Board of Retirement to order at 10:07 a.m.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew (arrived at 10:24 a.m.), Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello and Eric Tashman.

Alternates Present: Christopher Miller, John Murphy

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

1212.2.1 Oral Communications From the Board: Ms. Settles gave a report regarding her attendance at the IFEBP Conference in San Diego, November 9-13, and Mr. David reported his attendance at the SACRS Fall Conference, along with Ms. Kwan Lloyd, Mr. Spinello, and Ms. Agnew.

1212.2.2 Oral Communications From the Public: Mr. Miller reported on his attendance at the SACRS Fall Conference.

1212.3.1 Approval of the Audit Committee Minutes:

Action: Mr. Hackleman moved to approve the minutes from the Audit Committee meetings held on May 4, 2011, and October 23, 2012. The motion was seconded by Mr. Tashman, and carried unanimously.

1212.3.2 Approval of the Board Meeting Minutes:

Action: Mr. David moved to approve the minutes from the regular board meeting held on October 23, 2012. The motion was seconded by Ms. Kwan Lloyd, and carried unanimously. The Chair called for the next items to be heard out of order, and they were heard in the order listed below.

1212.6.2 Presentation Regarding 130/30 Investing with D.E. Shaw: Letitia Yang and Tony Foley gave a presentation to the Board and staff regarding 130/30 investment strategy. Mr. Foley discussed the historical performance of 130/30 investing and he reviewed the staff report and attachments page by page. Board members asked about fee structures and levels of investment. This item was informational only and no action was taken.

1212.6.5 Report on the Annual Review of SamCERA's Private Equity Program: Lilibeth Dames presented the staff report and stated that bi-weekly calls with SIS have been implemented. In open session, Faraz Shooshani and Curt Smith from SIS gave an overview of the private equity asset class. Mr. Shooshani and Mr. Smith discussed with Board members how opportunities are discovered, tracking strategies and trends, and the organization of the SIS private equity team. This item was informational only and no action was taken.

Ms. Arnott adjourned the meeting to closed session at 11:55 a.m. The closed session was adjourned at 12:30 for lunch and the meeting resumed in open session at 1:07 p.m.

When the meeting reconvened Ms. Arnott and Ms. Settles were absent, having been excused for the remainder of the meeting. Ms. Kwan Lloyd, Vice Chair, presided over the remainder of the meeting.

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- 1212.6.1 **Monthly Portfolio Performance Report:** Mr. Coultrip presented the monthly report, and discussed the portfolio's performance with the Board. He also handed out a sample report compiled by State Street. This item was informational only and no action was taken.
- 1212.6.3 **Discussion and Approval of Changes to Domestic Equity Manager Structure:** Mr. Coultrip presented the staff report and reviewed ways and reasons to re-allocate and simplify the structure of the domestic equity manager structure. Patrick Thomas of SIS, discussed risk, passive and active strategies, and reviewed each of the 6 proposed allocations with the Board.
Action: Ms. Agnew moved to direct staff to implement changes to the domestic equity manager structure as outlined in structure 4 of the presentation. Mr. David seconded the motion, and the motion carried unanimously.
- 1212.6.4 **Quarterly Investment Performance Report for the Period Ending September 30, 2012:** Mr. Coultrip, Mr. Thomas and Mr. Brody discussed the quarterly report with the Board. With no objection noted, the report was accepted.
- 1212.6.6 **Large-Cap Growth Manager Search – Update:** Mr. Coultrip reviewed the initial list of potential managers with the Board, and discussed aggressive, market and defensive styles. RFIs will be sent to the managers selected by the Board.
Action: Ms. Agnew moved to approve the recommendations of staff for selected managers to receive an RFI. The motion was seconded by Mr. Hackleman and carried unanimously.
- 1212.6.7 **Discussion on Proposed Changes to the Investment Policy:** Mr. Coultrip discussed the proposed changes in the Investment Policy. Board members expressed their desire to reserve sufficient time in the process to allow for a thorough discussion of asset allocation and other topics. This item was informational only and no action was taken.
- 1212.6.8 **Annual Review of Investment Consultant, Strategic Investment Solutions:** Mr. Coultrip explained the process undertaken to prepare the annual review of SIS. Board members discussed the items detailed on the review and gave feedback to SIS. Patrick Thomas and Jonathan Brody from SIS were present to comment on the review and answer Board members' questions. Subjects discussed included carving out more time for educational items at Board meetings, and the recent addition of private equity to the SamCERA portfolio. This was an informational item and no action was taken.
- 1212.4.0 **Approval of the Consent Agenda:** Ms. Kwan Lloyd asked if there were any items to be taken off the Consent Agenda. No items were removed.
Action: Mr. David moved to approve items on the Consent Agenda, as listed below. The motion was seconded by Mr. Hackleman and carried unanimously.

1212.4.0

Consent Agenda

Disability Retirements

1. The Board found that Penni Pavis is (1) disabled from performing her usual and customary duties as an Advisory System Engineer, (2) found that her disability was not a result of an illness/injury arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.

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1212.4.0 **Disability Retirements** (con't)

2. The Board (1) approved and adopted the proposed findings and recommendations of the Hearing Officer, Roy Abrams and (2) denied Christine Pepe's application for a service-connected disability retirement.
3. The Board found that Anthony Torrey is (1) disabled from performing his usual and customary duties as a Deputy Probation Officer III, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

1212.4.0 **Service Retirements**

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

Member Name	Effective Retirement Date	Department
Bacon, Alia	September 2, 2012	Sheriff's Office
Dubois, Richard	September 4, 2012	Superior Court
Winkelstein, Judith	September 6, 2012	Medical Center
Marin, John	September 21, 2012	Behavioral Health
Taylor, Francis	September 27, 2012	Sheriff's Office
Yuen, Wang	September 29, 2012	Medical Center
Bang, Hee	September 30, 2012	Medical Center
Ishikawa, Eiko	September 30, 2012	Medical Center
Dea, Liza	October 4, 2012	Medical Center
Haynes-Tucker, Lynne	October 6, 2012	Behavioral Health
Pijuan-Tugadi, Alana	October 10, 2012	Controller's Office
Hamilton, Michael	October 13, 2012	Def'd from Human Services Agency
Rosine, Jacqueline	October 13, 2012	Public Works
Verbelli, Sylvia	October 23, 2012	Def'd Plan 3
Ebersold, Donna	October 31, 2012	Def'd from Mental Health
Cooper, Judy	November 1, 2012	Aging and Adult Services
Loya-Flores, Carmencita	November 1, 2012	Public Health

1212.4.0 **Continuances**

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

Survivor's Name	Beneficiary of
Hart, Luz	Hart, Travis
Odenheimer, Edith	Odenheimer, John
Perez-Sorensen, Phyllis	Sorensen, Robert
Waldron, Merilee	Waldron Russell
Yuen, Winnie	Yuen, Wang-Yip
Stoll, Michael	Stoll, Joanne
Kimble, Marilyn	Kimble, Joseph

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Deferred Retirements

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

Member Name	Retirement Plan Type
Warner, Robert	G4 Vested
Mendoza, Grace	G4 Vested
Villarina, Raquel	G4 Vested

1212.4.0 **Deferred Retirements (con't)**

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

Member Name	Retirement Plan Type
Macedo, Brenda	G4 Vested
Lagula, Michelle	G4 Vested
Morales, Roina	G4 Vested
Alvarez, Cynthia	G4 Vested
Hickman, Julia	G4 Vested
Carr, Katherine	G4 Vested – Auto Defer
Goodenough, Marshall	G2 Vested – Auto Defer
Javillonar, Myles	G4 Vested – Auto Defer
Navarro, Michael	G4 Vested – Auto Defer
Reichbach, Marci	G4 Vested – Auto Defer
Judd, Teri	G4 Vested – Auto Defer
Valdez, Alicia	G4 – Auto Defer w/ Incoming Reciprocity
Tran, Luong	G4 – Reciprocity
Yano, Elizabeth	G4 – Reciprocity
Vilchez-Ruiz, Anna	G4 Vested – Incoming Reciprocity

1212.4.0 **Member Account Refunds**

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

Member Name	Retirement Plan Type
Rowland, April	QDRO
Etman, Shariff	G4 Non-vested
Krasowski, Michelle	G4 Non-vested

Member Account Rollovers

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

Member Name	Retirement Plan Type
Ara England, Ara	G4 Non-vested
Nevaras, Stacie	G4 Non-vested
Smallwood, Deborah	G4 Non-vested
Corforme, Teresita	G4 Vested
Jaramillo, Patricia	G4 Non-vested

1212.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda: None**

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- 1212.5.2 **Approval of Resolution Adopting Member and Employer Contribution Rates for PEPRA Members:** Mr. Bailey presented the staff report and talked to Board members about the three PEPRA related items on today's agenda. He explained the three items included adoption of contribution rates for PEPRA members, to reflect a single rate formula as determined after consultation with the actuary; and two items applicable to San Mateo County Mosquito & Vector Control District employees, which would define compensation earnable and pensionable compensation, similar to resolutions the Board approved last month for other SamCERA members. Mr. Bailey described the single contribution rate being proposed for PEPRA members, and discussed this change with the Board. **Action:** Mr. Hackleman moved to approve the resolution accepting the single contribution rates for PEPRA members (Resolution 12-13-11). The motion was seconded by Ms. Kwan Lloyd and carried unanimously.
- 1212.5.3 **Approval of Resolution Defining Compensation Earnable (§31461) for Applicable San Mateo County Mosquito & Vector Control District Members:** **Action:** Ms. Agnew moved to adopt a resolution defining compensation earnable pursuant to Government Code §31461 for San Mateo County Mosquito & Vector Control District for members who are not subject to Government Code §7522.34 (Resolution 12-13-13). The motion was seconded by Mr. Hackleman and carried unanimously.
- 1212.5.4 **Approval of Resolution Defining Pensionable Compensation (§7522.34) for Applicable San Mateo County Mosquito & Vector Control District Members:** **Action:** Mr. David moved to adopt a resolution defining pensionable compensation pursuant to Government Code §7522.34 for San Mateo County Mosquito & Vector Control District for members who are not subject to Government Code §31461 (Resolution 12-13-12). The motion was seconded by Ms. Agnew and carried unanimously.
- 1212.7 **Board & Management Support Services**
- 1212.7.1 **Monthly Financial Report:** Ms. Wong presented the preliminary monthly report to the Board; this item was informational and no action was taken. The next items were taken out of order.
- 1212.7.3 **Approval of Resolution Authorizing Contract Extension for Brown Armstrong Inc.:** Ms. Wong presented the staff report recommending Board approval of a contract extension with the auditing firm Brown Armstrong. **Action:** Mr. Tashman moved to approve the resolution authorizing a contract extension with Brown Armstrong for the period of three years (Resolution 12-13-14). The motion was seconded by Mr. David and carried unanimously.
- 1212.7.4 **Update on Audit Research Regarding Final Average Compensation Calculations:** Ms. Wong updated the Board on research done in conjunction with audit findings. She explained to the Board advances in technology have now allowed more detailed determination of final average compensation, however calculations with methods available at a previous time were done correctly and will not be modified. **Action:** Mr. Tashman moved to accept the audit research report; the motion was seconded by Mr. David and carried unanimously.
- 1212.7.2 **Approval of Resolution Authorizing Contract with BCS Systems, Inc. for Imaging Services:** Will Morrow, from LRWL, informed the Board that the contract with BCS Systems, Inc. was still being negotiated with regard to the scope of work and price, and he hoped to have a contract to bring back to the Board in January. Mr. Morrow reviewed the current status and discussed recent work performed for the technology modernization project. No action was taken.

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- 1212.8 **Management Reports**
- 1212.8.1 **Chief Executive Officer's Report:** Mr. Bailey announced the CAFR for the period ending June 30, 2012, was available, and was distributed to the Board in their meeting day folder. He let the Board know staff was reviewing the interest crediting process and wording changes to the policy would be presented for consideration at a future meeting. Mr. Bailey announced the Board retreat will be scheduled for April 23 and 24, 2013; and an overview of asset liability, risk analysis and other topics are being considered. Mr. Bailey informed the Board he has been re-elected to the CALAPRS board as the first vice president for two more years.
- 1212.8.2 **Assistant Executive Officer's Report:** None.
- 1212.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported his attendance at the Invesco client conference in November. He reported the transaction cost analysis report from Zeno showed higher costs that would be addressed with some managers. Mr. Coultrip informed the Board he was reviewing guidelines and negotiating with Western Asset, as there were areas of the agreement that needed fine-tuning.
- 1212.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported that the first PEPRA lawsuit had been filed in Contra Costa County and she would be monitoring that litigation.
CLOSED SESSION: Ms. Kwan Lloyd adjourned the meeting into closed session at 4:00 p.m.
- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session:** None
- C2 **Summary of Action Regarding Private Equity Opportunity**
- C3 **Conference with Legal Counsel - Existing Litigation:** Pursuant to subdivision (a) of Government Code Section 54956.9, *In re: Dendreon Corporation Class Action Litigation*, United States District Court Western District of Washington at Seattle, Master Docket No. C11-1291 JLR
- 1212.9 **Report on Actions Taken in Closed Session:** Ms. Kwan Lloyd reconvened the meeting at 4:17 p.m. into open session. Ms. Carlson stated there was no reportable action taken on item C2, regarding private equity, or item C3, regarding existing litigation.
- 1012.10 **Adjournment:** With no further business Ms. Kwan Lloyd adjourned the meeting at 4:18 p.m. in memory of the following deceased members:

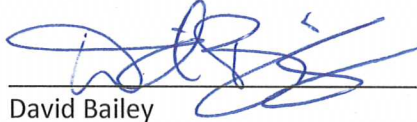
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Perroset, Marjorie	September 29, 2012	Courts
Outzen, Phyllis	October 9, 2012	Courts
Young, Sandra	October 11, 2012	Health Services
Flinn, Phillis	October 13, 2012	Ben of George Flinn
South, Betty	October 14, 2012	Ben of Richard South
Wang-Yip, Yuen	October 15, 2012	Medical Center
Keller, Joan	October 16, 2012	Ben of Billy Keller
Stoll, Joanne	October 19, 2012	Def'd from DAO
Carlson, Louise E	October 20, 2012	Courts
Kimble, Joseph	October 20, 2012	Def'd from Sheriff's
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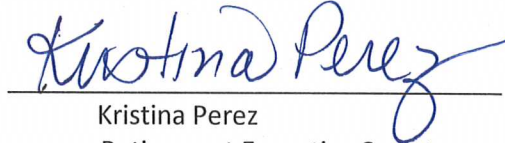
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October 29, 2012
October 31, 2012
October 31, 2012

Ben of Raymond Brown
General Services
Central Services



David Bailey
Chief Executive Officer



Kristina Perez
Retirement Executive Secretary