

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SEPTEMBER 27, 2016 – REGULAR BOARD MEETING MINUTES**

**1609.1 Call to Order, Roll Call and Miscellaneous Business**

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

**Roll Call:**

*Present:* Sandie Arnott, Mark Battey, Paul Hackleman, Kurt Hoefler, Natalie Kwan Lloyd, Susan Lee (for Shirley Tourel) David Spinello, Eric Tashman.

*Excused:* Ben Bowler, Shirley Tourel

*Alternates present:* Alma Salas and Susan Lee

*Staff:* Scott Hood, Michael Coultrip, Brenda Carlson, Gladys Smith, Elizabeth LeNguyen, Barbara Edwards, and Kristina Perez.

*Consultants:* Margaret Jadallah, Joe Abdou and Stephen Quirk (*Verus*); Nick Collier and Craig Glyde, Milliman, Inc.

**1609.1.4 Presentation of Certificate to Michal Settles:** In recognition of her service as a trustee on the Board of Retirement, Mr. Hood presented Ms. Settles with a certificate of appreciation and thanked her on behalf of the Board and SamCERA.

**1609.1.1 Administration of Oath of Office to Kurt Hoefler:** Sandie Arnott, County Treasurer, administered the oath of office to Kurt Hoefler (Ninth Member) who was appointed on June 6, 2016, by the San Mateo County Board of Supervisors to serve on the Board of Retirement.

**1609.1.2 Election of Board Officers:** Ms. Arnott presented the recommendations from the Ad Hoc Nominating Committee to the Board. The Committee nominated the following slate of officers for the term ending June 30, 2017: Paul Hackleman, Chair; Mark Battey, Vice Chair; and Natalie Kwan Lloyd, Secretary. There were no other nominations made.

**Action:** With no other nominations, Mr. Hackleman asked for approval of the proposed slate of officers. The slate was approved with a unanimous voice vote, with trustees Arnott, Battey, Hackleman, Hoefler, Kwan Lloyd, Lee (for Tourel) Spinello, and Tashman all saying aye. There were none opposed.

**1609.1.3 Announcement of Appointment of Board Committees:** Mr. Hackleman announced that Ms. Tourel will be serving as the Chair of the Audit Committee; Mr. Bowler would serve as Chair of the Investment Committee; and Mr. Battey would serve as Chair of the Ad Hoc Education Committee. The announcement of the remaining members of each committee will be continued until the October meeting.

**1609.2.1 Oral Communications from the Board:** Mr. Spinello reported his attendance at the Pacific Institutional Real Estate Investor Forum, on September 22, 2016, in San Francisco. Ms. Lee reported her attendance at the Public Funds Forum, in Park City, Utah, on September 6-8, 2016.

**1609.2.2 Oral Communications from the Public:** None.

**1609.3.1 Approval of Board Meeting Minutes from August 23, 2016:** Mr. Hackleman asked if there were any changes or corrections to the minutes from August 23, 2016 and none were noted.

**Action:** Mr. Battey moved to approve the minutes from August 23, 2016; the motion was seconded by Ms. Kwan Lloyd. The motion carried with a vote of 6-0-2 with trustees Battey, Hackleman, Kwan Lloyd, Lee (for Tourel) Spinello, and Tashman all in favor; none opposed. Trustees Arnott and Hoefler abstained from voting, as they were not in attendance at the August 23 meeting.

1609.4.0 **Approval of the Consent Agenda:** Mr. Hackleman asked if there were any items to be removed from the Consent Agenda, and the disability applications of Mr. Hinshaw and Ms. Minelli were requested to be removed and heard in closed session.

**Action:** Mr. Tashman moved to approve the remaining items on the Consent Agenda, and the motion was seconded by Ms. Arnott. The motion carried with a vote of 8-0 with trustees Arnott, Battey, Hackleman, Hoefler, Kwan Lloyd, Lee (for Tourel) Spinello, and Tashman all in favor; none opposed.

1609.4.2 **Survivor Death Benefits**

The Board found that Ray Boulding, would have been entitled to a non-service-connected disability but had died and Maudry Boulding the surviving spouse has elected to receive an optional death allowance pursuant to Government Code § 31781.1.

1609.4.3 **Service Retirements:**

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Conlan, Michael A	July 30, 2016	Probation
Fuentes, Maria E	August 1, 2016	Deferred from Sheriff's
Harris, Cecily A	July 29, 2016	Deferred from Public Works
Kerr, Paula R	August 1, 2016	Assessor Clerk Recorder
La Mariana, Joseph A	July 30, 2016	County Manager's Office
Mapu, Lusi	July 29, 2016	Human Services Agency
Meyer, Julie N	July 13, 2016	Superior Court
Munks, Gregory A	July 16, 2016	Sheriff's
Roxas, Generosa D	July 16, 2016	Medical Center
Tom, David M	July 9, 2016	Assessor Clerk Recorder

1609.4.4 **Continuances:**

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Luzzi, Else	Luzzi, Robert
Spiker, Mary	Spiker, John

1609.4.5 **Deferred Retirements:**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Au, Gloria	G4, Vested - Reciprocity
Davis, Kathryn B.	G5, Vested
Martinez, Arturo	G4, Vested
Mattman, Lon T.	G4, Vested
Morris, Becky A.	G4, Vested
Rands-Preuss, Monica	G4, Vested
Rogelio, Karen	G4, Vested
Stankovich, Michelle A.	S4/G4, QDRO Non-vested
Tawde, Anuradha S.	G4, Vested

1609.4.6 **Member Account Refunds:**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Bock, Kylie	G7, Non-vested
Collins, Lauren	G4, QDRO Non-vested
Fantozzi, Peter	G4, Vested

**Member Account Refunds** (cont.)

Ferry, Christine	G7, Non-vested
Gambucci, Michelle	G7, Non-vested
Gutierrez, Maria	G7, Non-vested
Hayes, April	G7, Non-vested
Hoover, Robert	G5, Non-vested
Iem, Gary	G7, Non-vested
Jenkins, Robert	G7, Non-vested
Logoleo-Tasi, Anna	P4, Vested
Lopez, Yesenia	G4, Vested
Martin, Miranda	G7, Non-vested
Maxwell, Tyler	G7, Non-vested
Moon, Stephen	G5, Non-vested
Prasad, Jessica	G7, Non-vested
Powell, Chaunise	G7, Non-vested
Quan, Sing	G7, Non-vested
Vidrio, Rosemary	G7, Non-vested
Von, Brian	G7, Non-vested

1609.4.7 **Member Account Rollovers:**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Davila, Claudia	P7, Non-vested
Garascia, Jean	G7, Non-vested
Jiang, Chun	G7, Non-vested
Martin, Miranda	G7, Non-vested
McNichol, Erin	G7, Non-vested
Sellenthin, Henry	G4, Non-vested
Singh, Sapna	G4, Non-vested
Wilkinson, Jeremy	G4, Non-vested
Wong, Lance	G7, Non-vested

- 1609.4.8 **Amendment to Regulation Article VIII Internal Revenue Compliance:** The Board approved a resolution amending the Board's regulation Section 8.8(B)(9)(a) of Article VIII "Internal Revenue Code Compliance," to add subdivision "vii" to address the inclusion of differential wage payments for military pay in the calculation of Internal Revenue Code Section 415's Annual Limits.

The following items were taken out of order to accommodate the scheduling of the closed session disability items at 10:45 a.m.

- 1609.6.1 **Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2016:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for August was 0.4%, while the preliminary trailing twelve-month return ending August 2016 was 7.4% net. This item was informational and for discussion only, no action was taken.

- 1609.6.2 **Report on Fixed Income Manager Annual Reviews (Western Asset, Fidelity and Brown Brothers Harriman):** Mr. Coultrip reported that staff met with representatives from Western Asset Management and Fidelity Institutional Asset Management on August 11, and with Brown Brothers Harriman on August 25, 2016. Mr. Coultrip reported there were no significant concerns identified during the portfolio review. This item was informational and for discussion only, no action was taken.

- 1609.6.3 **Report on Opportunistic Credit Manager Annual Reviews (Beach Point and Angelo Gordon):** Mr. Coultrip reported that staff met with representatives from Beach Point and Angelo Gordon on September 1, 2016. Additionally, staff met with Brigade Capital on September 7, and a report from that meeting will be provided at the October meeting. This item was informational and for discussion only, no action was taken.
- 1609.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** The Board adjourned into closed session at 10:45 a.m. to consider the disability applications from Item 4.1. Upon reconvening at 11:45 a.m., Ms. Carlson reported the following action was taken by the Board:
- In the matter of Melville Hinshaw, a motion was made by Mr. Tashman and seconded by Ms. Arnott to refer this matter to a hearing officer. The motion carried with a vote of 8-0 with trustees Arnott, Battey, Hackleman, Hoefer, Kwan Lloyd, Lee (for Tourel) Spinello, and Tashman all in favor; none opposed.
- In the matter of Kimberly Minelli, the Board found that she is permanently incapacitated from the performance of her usual and customary duties as a Senior Deputy Probation Officer III, and found that her disability was the result of an injury arising out of and in the course of her employment. Mr. Battey moved to grant Ms. Minelli's application for a service-connected disability retirement, and the motion was seconded by Mr. Tashman. The motion carried with a vote of 8-0 with trustees Arnott, Battey, Hackleman, Hoefer, Kwan Lloyd, Lee (for Tourel) Spinello, and Tashman all in favor; none opposed.
- The Board adjourned for lunch at 11:48 p.m. and the meeting reconvened at 12:18 p.m. and continued in the order below. Mr. Tashman returned to the meeting at 12:50 p.m.
- 1609.5.2 **Presentation of the June 30, 2016, Actuarial Valuation Report by Milliman, Inc.:** Mr. Collier and Mr. Glyde, from Milliman, Inc. presented the valuation report to the Board. Key points reviewed and discussed included: SamCERA's funded ratio, employer contribution rates, unfunded actuarial accrued liability (UAAL), analysis of member population changes, comparisons with previous years, investment returns and economic assumptions. This item was informational and for discussion only, no action was taken.
- 1609.5.3 **Approval of Resolution Accepting the Fiscal Year 2017-2018 Employer and Member Contribution Rates and Recommendations:** Following the presentation by Milliman, Inc., the Board took action to accept the recommendations in the valuation report.
- Action:** Mr. Battey moved to approve a resolution accepting contribution rates to recommend to the Board of Supervisors for the 2017-2018 fiscal year. The motion was seconded by Ms. Arnott, and carried with a vote of 8-0 with trustees Arnott, Battey, Hackleman, Hoefer, Kwan Lloyd, Lee (for Tourel) Spinello, and Tashman all in favor; none opposed.
- 1609.5.4 **Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.:** Mr. Hood reviewed the results of the annual assessment of the services provided by Milliman, Inc., which included a survey of staff and Board members. Milliman, Inc. continues to receive high marks from staff and the Board, and were noted to be very responsive and helpful; no concerns were raised. With no objections, the annual performance report of Milliman, Inc. was accepted.
- 1609.6.4 **Report on SamCERA's Securities Lending Program:** Mr. Coultrip presented the annual review of the securities lending program, which is managed by Northern Trust. He reported the net earnings were slightly lower than last year, as demand was lower. This item was informational and for discussion only, no action was taken.

- 1609.6.5 **Report on Asset-Liability Study: Asset Allocation Mixes (Continued):** Ms. Jadallah and Mr. Quirk presented a set of asset allocation portfolios for the Board to review and discuss. The investment models were compared to one another and to SamCERA's policy benchmark. Various scenarios were explained and forecasted. Board and staff discussion topics included: risk, inflation, funded ratios, diversification, passive vs. active management of funds, and the effect of stress scenarios on the investment models. The Board provided direction to staff to move toward decreasing the equity risk in the portfolio. This item was informational and for discussion only, no action was taken.
- Item 7.2 was heard out of order, as noted below.
- 1609.7.2 **Educational Presentation on Fiduciary Duty, Delegation and Governance:** Ms. Carlson gave an educational presentation and led a discussion on fiduciary duty, delegation and governance as it relates to the Board, and Board members' responsibilities and obligations. This item was informational and for discussion only, no action was taken.
- 1609.7.1 **Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2016 Business Meeting:** Mr. Hood and the Board discussed the upcoming SACRS conference, November 8-11, 2016, in Indian Wells. The recommendation is for the Board to designate Trustee David Spinello as the Voting Delegate, with Scott Hood as the Alternate Voting Delegate. The Voting Delegate is authorized to cast votes on behalf of SamCERA at the SACRS business meeting, scheduled for Friday, November 11. More information about the SACRS business meeting agenda and topics will be reviewed in October.
- Action:** Mr. Battey moved to approve the voting delegates as proposed. The motion was seconded by Mr. Tashman and carried with a vote of 8-0 with trustees Arnott, Battey, Hackleman, Hoefer, Kwan Lloyd, Lee (for Tourel) Spinello, and Tashman all in favor; none opposed.
- 1609.8.1 **Chief Executive Officer's Report:** Mr. Hood noted the items in the "Day of Meeting" folder, including the Board calendar and the PRJ publication. He reported that he had discussed possible modifications to the MOU regarding supplemental contributions with the County's budget director. Mr. Hood reported his attendance at the CALAPRS Administrator's Institute in San Diego. He also previewed items that would appear on next month's meeting agenda including a GASB 67 & 68 report, the Board meeting calendar for 2017 and the CAFR.
- 1609.8.2 **Assistant Executive Officer's Report:** Ms. Smith had no report this month.
- 1609.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reported on the progress of the liquid pool funding. He informed the Board of a number of upcoming manager annual review meetings. He also noted that the Governor had signed a bill requiring greater reporting by public pension funds of alternative investment fees for commitments made on or after Jan. 1, 2017.
- 1609.8.4 **Chief Legal Counsel's Report:** Ms. Carlson updated the Board on the Governor's veto of AB 1853; and the progress of the Marin County case involving vested pension rights of public employees.

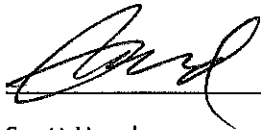
#### **CLOSED SESSION**

- C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda:** See Item 5.1 for detail.

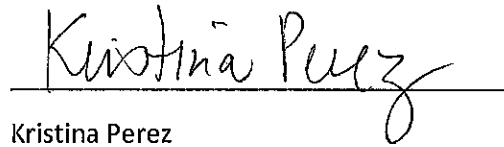
- 1609.9 **Report on Actions Taken in Closed Session:** See item 5.1

1609.10 **Adjournment:** Mr. Hackleman adjourned the meeting at 3:40 p.m. in memory of the deceased members listed below.

Ferrero, Marie	July 12, 2016	Social Services
Boulding, Ray	July 28, 2016	Food Services
Dean, William	July 28, 2016	Human Services Agency
Nichols, Michaelene	August 9, 2016	Social Services
Sarzotti, James	August 10, 2016	Probation
Bland, Nora	August 11, 2016	Tax Collector
Younger, Ruth	August 22, 2016	Probation
Greer, Maryana	August 23, 2016	Chope Hospital
Reed, June	August 24, 2016	Mosquito Abatement
Knupfer, Margaret	August 25, 2016	Assessor's
Hernandez, Ramona	August 31, 2016	Medical Center



Scott Hood  
Chief Executive Officer



Kristina Perez  
Retirement Executive Secretary