



Executive Staff:

Richard Stensrud
Chief Executive Officer

Vacant
Chief Investment Officer

Robert L. Gaumer
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

Members of the Board of Retirement

Rick Fowler, President
Appointed by the Board of Supervisors

John B. Kelly, Vice President
Appointed by the Board of Supervisors

Keith DeVore, Vice President
Appointed by the Board of Supervisors

Steven L. Baird
Elected by the Miscellaneous Members

Michael DeBord
Elected by the Retired Members

James A. Diepenbrock
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

Ben Lamera
Ex Officio, Interim Director of Finance

Chris A. Pittman
Elected by the Safety Members

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

MINUTES

RETIREMENT BOARD MEETING, WEDNESDAY, JANUARY 20, 2016

A regular meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 19th Floor, Sacramento, California, on Wednesday, January 20, 2016, and commenced at 10:01 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. Chief Executive Officer Richard Stensrud welcomed the new Ex-Officio Member Ben Lamera to the Board.

Kandi Herrick Kropp addressed the Board regarding her application for disability retirement. John Kennedy from Nossaman LLP, who represented SCERS in Ms. Herrick Kropp's disability retirement proceeding, also addressed the Board regarding this matter. Discussion followed. Mr. Pittman requested that Item 3 be taken off the Consent Calendar for further discussion in Closed Session.

Judith Taxara addressed the Board regarding her application for disability retirement.

MINUTES:

2. The Minutes of the December 16, 2015 special meeting were approved on Motion by Mr. DeVore; Seconded by Mr. Pittman. Motion carried (8-0).

CONSENT MATTERS:

Items 3-13

Item 3 was taken off the Consent Calendar for discussion at the request of Mr. Pittman. The remaining Consent Matters (Items 4-13) were acted upon as one unit upon a Motion by Ms. Gin; Seconded by Mr. DeVore carried (8-0).

4. PEARSON, Darrell: Denied a service-connected disability retirement.
5. SMITH, Becky: Denied a service-connected disability retirement.
6. TAXARA, Judith: Denied a service-connected disability retirement.
7. UMBALIN, Elizabeth: Denied a service-connected disability retirement.
8. POLK, Melissa L.: Granted a nonservice-connected disability retirement.
9. HUTCHINS, Milton: Granted a nonservice-connected disability retirement.
10. VO, Doanh: Granted a service-connected disability retirement.
11. Approved the revised Investment Management Agreement with Weatherbie Capital Management.
12. Received and filed the December 2015 Monthly Investment Portfolio Activity Report.
13. Received and filed the December 2015 Monthly Investment Manager Compliance Report and Watch List.

CLOSED SESSION:

3. The Item was moved from Consent Matters at the request of Mr. Pittman.

The Board voted to request a clarification from the Administrative Law Judge regarding the application for disability retirement by Kandi Herrick Kropp.

14. The Board conferred with legal counsel regarding significant exposure to litigation pursuant to subdivision (b) of Section 54596.9.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

15. Chief Executive Officer Richard Stensrud provided an update on developments affecting public retirement systems and on miscellaneous system and staff activities.

Mr. Stensrud reported that the Sacramento Bee had recently printed two corrections to a story it had run on January 3, 2016. Mr. Stensrud noted that this story incorrectly suggested that the lump sum cash-outs of accrued leave at retirement by certain Sacramento County retirees increased their retirement benefit by significant amounts. Mr. Stensrud stated that SCERS had conveyed to the Bee its disappointment and frustration with the article and its mistakes.

Mr. Stensrud reported that the proponents of the two potential ballot initiatives that would make substantial changes to the retirement benefits of public employees had chosen to not go forward with the initiatives for the 2016 general election. Mr. Stensrud noted that these proponents stated that they would look to reintroduce these initiatives for the 2018 general election.

Mr. Stensrud reported that the retiree cost-of-living-adjustment (COLA), effective in April 2016, will have a base of approximately 2.5%. Mr. Stensrud stated that the COLA amount will be brought before the Board for approval at the February Board Meeting.

Mr. Stensrud reported that the State Association of County Retirement Systems (SACRS) Spring Conference is scheduled for May 10 – 13 in Costa Mesa. Mr. Stensrud noted that the date of the SACRS Spring Conference would cause the May Board Meeting to be rescheduled to the first week of May. Mr. Stensrud stated that a specific date would be proposed soon.

Mr. Stensrud reported that the application to the IRS for the renewal of SCERS' qualified plan determination letter has been filed.

Mr. Stensrud reported that SCERS Investment Staff and consultants would shortly be interviewing the finalist investment manager candidates for an emerging market equity assignment.

Mr. Stensrud reported that the sale of one of the directly-held real estate properties owned by SCERS had recently been completed. Mr. Stensrud stated that SCERS plans to redeploy the proceeds of that sale into the Townsend Real Estate Fund. Deputy Chief Investment Officer Steve Davis provided additional detail on the sale and the redeployment of the proceeds.

INVESTMENT MATTERS:

17. This item was taken up out of order to accommodate the schedule of the presenter.

Deputy Chief Investment Officer Steve Davis introduced Verus Advisory CEO Jeffrey MacLean and Managing Director John Nicolini who presented an introduction to and overview of the services provided by Verus Advisory and a status report following the merger of Verus with SCERS' general investment consultant Strategic Investment Solutions (SIS).

Mr. Davis reviewed investment projects that Staff and Verus anticipated undertaking in 2016. Mr. Davis stated that in 2016 Staff and consultants planned to focus on risk management initiatives, which would include analysis of the asset allocation structure. Mr. Davis also stated that Staff plans to update the broad portfolio investment policy statement.

ADMINISTRATIVE MATTERS:

16. General Counsel Robert Gaumer presented proposed revisions to the Disability Review Procedures (DRPs).

Mr. Gaumer reviewed the current disability bylaws and the process by which disability retirement applications are processed. Mr. Gaumer then reviewed the process by which disability retirement applications would be processed under the new DRPs.

Mr. Gaumer noted that the new DRPs would include the retention of a medical advisor who would review all disability applications and that the new DRPs would provide the authority for Staff to recommend that the Board deny a disability application based on the analysis and recommendation of the medical advisor. Mr. Gaumer noted that this change would save time and cost by eliminating the need to refer every potential denial to an independent medical examiner and subsequent mandatory administrative hearing. Mr. Gaumer also noted that the expedited disposition of disability applications without going to hearing would free up resources for more timely resolution of other applications. Mr. Gaumer further noted that a disability applicant would still be free to request an administrative hearing notwithstanding the recommendation of the medical advisor. Mr. Gaumer noted the new DRPs had been reviewed and commented on by various disability retirement stakeholders and feedback from those parties had been incorporated in the DRPs being recommended to the Board.

Motion by Mr. DeBord to approve the proposed revisions to the Disability Review Procedures; Seconded by Ms. Gin. Motion carried (7-0).

The meeting was adjourned at 12:55 p.m.

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MEMBERS PRESENT: Rick Fowler (departed at 12:05 p.m.), John B. Kelly, Keith DeVore, Steven L. Baird, Michael DeBord, Diana Gin, Ben Lamera, Chris Pittman, John Conneally, and Martha J. Hoover.

MEMBERS ABSENT: James A. Diepenbrock.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; Robert L. Gaumer, General Counsel; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Steve Davis, Deputy Chief Investment Officer; Suzanne Likarich, Retirement Services Manager; Thuyet Dang, Senior Accounting Manager; Tae-Young Weiler, Accounting Manager; JR Pearce, Investment Officer; John Lindley, IT Administrator; Jeff MacLean and John Nicolini, Verus Advisory, Inc; John Kennedy and Allison Callaghan, Nossaman LLP; John Reed, Deputy County Counsel, Richard Kropp and Kandi Herrick Kropp; and Judith Taxara.

Respectfully submitted,

Richard Stensrud
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Rick Fowler, President

DATE: _____

cc: Retirement Board (11); Board of Supervisors (6); County Counsel; County Executive (2); Internal Services Agency (2); County Labor Relations; Employee Organizations (20); Sacramento County Retired Employees' Association; SCERS Member Districts (10); Elected Officials (3); Superior Court of California, County of Sacramento; Amervest Company, Inc.; Mark Merin; John R. Descamp; and The Sacramento Bee.