



Executive Staff:

Richard Stensrud
Chief Executive Officer

Scott Chan
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

James A. Diepenbrock, President
Appointed by the Board of Supervisors

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

Michael DeBord
Elected by the Retired Members

Keith DeVore
Appointed by the Board of Supervisors

Richard B. Fowler II
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

Kathy O'Neil
Elected by the Miscellaneous Members

Chris A. Pittman
Elected by the Safety Members

Julie Valverde
Ex Officio, Director of Finance

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

MINUTES

RETIREMENT BOARD MEETING, WEDNESDAY, JANUARY 15, 2014

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 15, 2014, and commenced at 10:02 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. Motion by Mr. DeVore to select Richard Fowler to serve as Chair for the meeting in the absence of the Board President and Vice-President; Seconded by Ms. Gin. Motion carried (7-0).

Former SCERS Chief Executive Officer John Descamp (retired) addressed the Board regarding the Retirement Board election mailer from SCREA, SCREA's supplemental benefit program, the SCREA lawsuit against the County of Sacramento, and compensation for SCERS' executive staff.

MINUTES:

2. The Minutes of the December 18, 2013 regular meeting were approved on Motion by Mr. DeVore; Seconded by Mr. DeBord. Motion carried (7-0).

CONSENT MATTERS:

Items 3-10

The Consent matters were acted upon as one unit upon a Motion by Ms. O’Neil; Seconded by Ms. Gin. Motion carried (7-0).

3. ANDREWS, Sarah J.: Granted a nonservice-connected disability retirement.
4. DANGERFIELD, Tony R.: Denied a service-connected disability retirement.
5. GROVER, Gregory M.: Granted a nonservice-connected disability retirement.
6. LANDALL, Donald L.: Denied a service-connected disability retirement, but granted a nonservice-connected disability retirement.
7. STALLWORTH, Wjuanita: Denied a service-connected disability retirement.
8. VADEN, William R.: Denied a service-connected disability retirement.
9. Approved the recommended change to the benchmark for the fixed income asset class.
10. Received and filed the December 2013 Monthly Investment Manager Compliance Report and Watch List.

ADMINISTRATIVE MATTERS:

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

Mr. Stensrud noted that the annual Form 700 Statement of Economic Interests had been provided to the Board. Mr. Stensrud reminded the Board that the deadline to file the Form is April 1, 2014. Mr. Stensrud noted that General Counsel Robert Gaumer was available to answer any questions regarding the Form 700.

Mr. Stensrud announced that the Special Retirement Board Meeting to be held for the purpose of conducting a strategic planning exercise has been scheduled for Monday, March 3, and Tuesday, March 4, in the SCERS administrative offices.

Mr. Stensrud reported that at the February Board Meeting, the annual retiree cost-of-living-adjustment (COLA) would be presented for approval.

Mr. Stensrud stated that the annual investment year-in-review report would be presented at the February Board Meeting.

Mr. Stensrud reported that the Investment Staff had recently closed investment engagements with Mondrian, William Blair, KKR, MetLife, and Jamestown, and that several other funds were in the pipeline to close in the next month.

ADMINISTRATIVE MATTERS (continued):

Mr. Stensrud noted that SCERS had received a favorable tax qualified plan determination letter from the IRS in December, and that SCERS would not need to apply again until January, 2016.

Mr. Stensrud stated that the California Association of Public Retirement Systems (CALAPRS) would be holding a trustee roundtable on Friday, February 7, in Burbank. Mr. Stensrud noted that those interested in attending should contact Staff for assistance.

Mr. Stensrud reported that the new annual cap on retirement-eligible compensation for the CalPEPRA tiers would be \$115,064, up from \$113,700. Mr. Stensrud noted that this cap is determined based on U.S. Department of Labor Consumer Price Index and was designed to be uniform across all California public retirement systems that are subject to CalPEPRA.

INVESTMENT MATTERS:

12. Deputy Chief Investment Officer Steve Davis introduced Tom Barnds and Patrick Fallon of Accel-KKR Capital Partners who provided an educational presentation on the private equity strategy they implement for SCERS.

Mr. Barnds and Mr. Fallon provided an overview of the firm, including the staff, the advisory board, and the various funds that Accel-KKR manages. Mr. Barnds then discussed the firm's investment process and strategy and reviewed some of the companies in the portfolios. Finally, Mr. Barnds presented recent performance of the funds.

13. Chief Investment Officer Scott Chan introduced an educational presentation by the Townsend Group and SCERS Investment Staff regarding investment opportunities in 'build-to-core' real estate projects.

Mr. Chan explained that the term 'build-to-core' is used to describe an investment where a non-core asset is transformed into a core property. Mr. Chan noted that an example would be the development of an apartment property that upon completion, including fully leasing the property, would exhibit core real estate features. Mr. Chan reviewed the benefits of a 'build-to-core' strategy, including: (1) The flexibility to be tactical and invest in non-core real estate when values are low compared to core; (2) The creation of additional value by developing a property rather than purchasing the property at market value; and (3) The ability to upgrade the core real estate portfolio by selling an asset with less desirable risk/return attributes and replacing them with the new asset. Mr. Chan stated that this last benefit is accomplished by developing properties with better geographic locations, newer fixtures and finishes, newer building designs, fresh and up-to-date building amenities, and modern building systems with low energy usage.

Jennifer Young of The Townsend Group provided an overview of SCERS non-core separate accounts, including the value added and opportunistic strategies that are used within those accounts. Ms. Young reviewed the performance history of non-core real estate. Ms. Young also explained the build-to-core strategy and the risks involved.

INVESTMENT MATTERS (continued):

Ms. Young then reviewed SCERS' process in evaluating build-to-core opportunities and the information SCERS considers when making a selection. Finally, Ms. Young provided a build-to-core example located in Seattle, Washington.

The meeting was adjourned at 11:55 a.m.

MEMBERS PRESENT: Michael DeBord, Keith DeVore, Richard B. Fowler II, Diana Gin, Kathy O'Neil, Chris A. Pittman, Julie Valverde, John Conneally, and Martha J. Hoover.

MEMBERS ABSENT: James A. Diepenbrock and John B. Kelly.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; Scott Chan, Chief Investment 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; JR Pearce, Investment Officer; John Lindley, IT Administrator; Lance Kjeldgaard, Outside Counsel; Patrick Thomas, Strategic Investment Solutions, Inc.; Jennifer Young, The Townsend Group; Tom Barnds and Patrick Fallon, Accel-KKR Capital Partners; John Kennedy, Nossaman LLP; Diana Ruiz, Deputy County Counsel; and John Descamp.

Respectfully submitted,

Richard Stensrud
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
James A. Diepenbrock, 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.