



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

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

Michael DeBord  
Elected by the Retired Members

James A. Diepenbrock  
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, OCTOBER 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, October 15, 2014, and commenced at 10:01 a.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. The Minutes of the September 17, 2014 regular meeting were approved on Motion by Ms. O'Neil; Seconded by Mr. Pittman. Motion carried (7-0).

##### CONSENT MATTERS:

Items 3-9

The Consent Matters were acted upon as one unit upon a Motion by Ms. Gin; Seconded by Mr. DeBord. Motion carried (7-0).

3. LUNA, Robert A.: Granted a service-connected disability retirement.

**CONSENT MATTERS (continued):**

4. NAVARRO, Guadalupe: Granted a service-connected disability retirement.
5. WOLFSON, Leanne C.: Granted a reciprocal nonservice-connected disability retirement.
6. Approved matters being presented for a vote by the membership at the State Association of County Retirement Systems (SACRS) Fall Conference.
7. Approved proposed changes to the fund structure and investment parameters for the Capital Group Emerging Markets Growth Fund.
8. Received and filed the September 2014 Monthly Investment Portfolio Activity Report.
9. Received and filed the September 2014 Monthly Investment Manager Compliance Report and Watch List.

**ADMINISTRATIVE MATTERS:**

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

Mr. Stensrud reminded the Board that the November Retirement Board Meeting would be on Wednesday, November 5. Mr. Stensrud noted that the earlier date was due to the SACRS Fall Conference, which would be taking place in Monterey November 11-14. Mr. Stensrud further noted that the annual actuarial valuation was expected to be presented at the November Meeting.

Mr. Stensrud stated that all Board Members had now completed their statutory educational requirements. Mr. Stensrud noted that Staff would continue to provide educational presentations at future Board Meetings to ensure that all Members would be able to maintain their education compliance status.

Mr. Stensrud stated that SCERS' Investment Staff had recently finalized commitments to three investment funds, including two real assets investments and one private equity investment.

Mr. Stensrud stated that he would be presenting at the fall conference of the California Retired County Employees Association (CRCEA), October 20-22 in Sacramento.

Mr. Fowler asked SCERS' Investment Staff and consultants to comment on the recent volatility in the stock market. Chief Investment Officer Scott Chan stated that it has actually been abnormal that there has been so little volatility in the market over the past 2-3 years. Mr. Chan further stated that SCERS continues to take a long term perspective on the

**ADMINISTRATIVE MATTERS (continued):**

market and that due to the high valuation levels across all asset classes, Staff had identified the potential for a lower return environment and had been preparing SCERS' portfolio accordingly. Patrick Thomas of Strategic Investment Solutions concurred with Mr. Chan's observations that a correction off higher equity valuations was not unexpected, and that this was important for longer term market health. Discussion followed.

11. General Counsel Robert Gaumer presented for formal adoption the prospective administrative regulations required for compliance with federal tax law presented at the September Board Meeting. Mr. Gaumer noted that this was the culmination of a 4-5 year process involving SCERS Staff, SCERS Retirement Board, a SACRS task force, and the IRS. Mr. Gaumer stated that, if adopted, the regulations will be brought before the Sacramento County Board of Supervisors for implementation.

Motion by Ms. O'Neil to approve the proposed administrative regulations required for compliance with federal tax law; Seconded by Ms. Valverde. Motion carried (7-0).

12. Chief Operations Officer Kathryn Regalia stated that the auditing firm of Macias Gini & O'Connell (MGO) had provided a fee proposal for the additional auditing required for the new Governmental Accounting Standards Board (GASB) Statements 67 and 68. Ms. Regalia noted that Statement 67 covers financial reporting for pension funds and Statement 68 covers accounting for pensions by employers. Ms. Regalia further noted that at the June Retirement Board Meeting, MGO and Segal Consulting had provided a presentation on these new statements.

Mr. Fowler asked if it was more appropriate for the plan's employers to pay for the cost of the audit related to Statement 68 since it covered their accounting. Ms. Regalia stated that SCERS felt it was in SCERS' best interest and the best interest of the plan's employers to cover the cost of the audit related to Statement 68 for this initial implementation. Ms. Regalia noted that this would allow the audit to be performed in the most efficient manner. Ms. Regalia noted that the employers should be informed that while this would be the approach for the first audit, the question of who should bear the costs of future audits related to Statement 68 would be subject to further consideration.

Motion by Mr. Kelly to approve the fee proposal from Macias Gini & O'Connell for expanded audit services resulting from the implementation of GASB 67 and 68; Seconded by Mr. DeBord. Motion carried (7-0).

The meeting was adjourned at 10:24 a.m.

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

MEMBERS ABSENT: Keith DeVore and James A. Diepenbrock

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; Thuyet Dang, Accounting Manager; JR Pearce, Investment Officer; John Lindley, IT Administrator; Patrick Thomas and Margaret Jadallah, Strategic Investment Solutions, Inc; and John Reed, County Counsel.

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.