



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, SEPTEMBER 17, 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, September 17, 2014, and commenced at 10:03 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the August 20, 2014 regular meeting were approved on Motion by Mr. DeVore; Seconded by Mr. Diepenbrock. Motion carried (9-0).

CONSENT MATTERS:

Items 3-9

The Consent Matters were acted upon as one unit upon a Motion by Mr. Gin; Seconded by Ms. O'Neil. Motion carried (9-0).

3. AFLLEJE, Daniel P.: Granted a service-connected disability retirement.

CONSENT MATTERS (continued):

4. RECCE, Vincent E.: Granted a service-connected disability retirement.
5. ROYAL, Stephen P.: Granted a service-connected disability retirement.
6. TODD, Wayne C.: Granted a nonservice-connected disability retirement.
7. COLEMAN, Michael.: Granted a nonservice-connected disability retirement.
8. Received and filed the August 2014 Monthly Investment Portfolio Activity Report.
9. Received and filed the August 2014 Monthly Investment Manager Compliance Report and Watch List.

CLOSED SESSION:

10. Considered the purchase or sale of particular, specific pension fund investments pursuant to Government Code Section 54956.81.

OPEN SESSION:

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 stated that the State Association of County Retirement Systems (SACRS) Fall Conference would be taking place in Monterey November 11-14. Mr. Stensrud noted that those interested in attending should contact Staff for assistance.

Mr. Stensrud reminded the Board that the November Board Meeting would be held on November 5th to accommodate for the SACRS conference.

Mr. Stensrud reported on a media contact regarding a recently deceased member SCERS retiree who had agreed to make a generous bequest to his hometown in Nebraska. Mr. Stensrud noted that the bequest stipulated that the money be used for a new architecturally designed city building to be built on or adjacent to the town's main street.

Mr. Stensrud reported that SCERS had again been nominated for *aiC/O's* Industry Innovation Award for pension plans with up to \$15 billion in assets. Mr. Stensrud noted that the *aiC/O Awards* recognize the world's leading institutional investors in ten categories, including foundations, endowments, corporate plans, sovereign wealth funds, and public pension plans of various asset levels. Mr. Stensrud noted that the nominees include the Los Angeles Department of Water and Power; the Maine Public Employees' Retirement

ADMINISTRATIVE MATTERS (continued):

System; the New Mexico Public Employees' Retirement Association; the Oklahoma Public Employees' Retirement System; and the San Diego City Employees' Retirement System. Mr. Stensrud stated that SCERS is the only repeat nominee from 2013 and that the award ceremony would be on December 8 in New York City.

Mr. Stensrud reported that CalPERS had recently announced that they would be dropping their hedge fund allocation. Mr. Stensrud stated that any time a fund with the size and credibility of CalPERS makes a decision like this, there is the potential for a ripple effect. Mr. Stensrud noted, however, that the approach SCERS takes with respect to hedge funds is different than the approach CalPERS had taken, and that SCERS' experience has been better than the experience of CalPERS. Discussion followed.

Mr. Stensrud reported that legislation had recently been signed providing the Contra Costa County retirement system with full operating authority over its organization and staff. Mr. Stensrud stated that this is part of a trend to transition from an older model of operating authority to a newer model, which is considered both necessary and prudent as systems increase in size and complexity. Mr. Stensrud noted that the San Diego County retirement system had recently initiated litigation against San Diego County to obtain broader operating authority. Mr. Stensrud stated that in spite of this, it is not necessary for a system to initiate litigation to accomplish an operating authority transition if the system and the plan sponsor can work collaboratively together.

12. Chief Executive Officer Richard Stensrud reported that in the 2013-2014 fiscal year, SCERS produced unallocated earnings of approximately \$86 million. Mr. Stensrud explained that unallocated earnings result when, after application of the multi-year asset smoothing process, and after meeting the target growth rate for the fund, there are investment earnings remaining. Mr. Stensrud stated that this was the first time since 2010 that unallocated earnings had been generated and that the presence of unallocated earnings was further confirmation that the impact of the Global Financial Crisis had been addressed.

Mr. Stensrud stated that based on the Interest Crediting and Unallocated Earnings Policy adopted by the Board, the default approach to unallocated earnings was to apply one half to pay down unfunded liability, which creates an immediate reduction in the employer contribution rate, and apply one half to the contingency reserve where they would be available to address future cost needs. Mr. Stensrud explained the rationale for establishing co-equal priorities for the application of unallocated earnings and discussed SCERS' past practice. Mr. Stensrud noted that the policy does allow for the Board to deviate from the default approach if the Board determined that allocating more to one priority over the other would have a more beneficial impact. Mr. Stensrud noted, however, that the decision of how to apply unallocated earnings in any given year is solely a question of when they will provide positive cost impact, not whether they will provide cost impact.

ADMINISTRATIVE MATTERS (continued):

Discussion followed.

Motion by Mr. DeVore to apply one half of the unallocated earnings for the June 30, 2014 actuarial valuation to unfunded liability and one half to the contingency reserve; Seconded by Mr. Diepenbrock. Motion carried (9-0).

13. Chief Operations Officer Kathy Regalia introduced Accounting Manager Thuyet Dang and IT Administrator John Lindley who presented an overview of SCERS' technology needs assessment.

Mr. Lindley stated that as part of the implementation efforts for certain elements of SCERS' strategic plan, Staff had begun evaluating the current IT system and that this presentation was intended to provide the Board with an understanding of SCERS' current IT system, its limitations, and the need to enhance the system's capabilities. Mr. Lindley noted that the presentation would describe the structure, capabilities and weaknesses of the current IT system; review the characteristics of an effective IT system; summarize the work Staff had done to evaluate the current IT system to-date; and discuss potential future courses of action.

Mr. Lindley described the goals Staff had identified for an IT system including: (1) Provide shared IT services to support the needs of SCERS and SCERS' members and stakeholders; (2) Support SCERS staff in the effective delivery of services to SCERS' members and stakeholders; and (3) Provide a stable, secure, and cost effective management information system environment.

Mr. Lindley then provided background on the multiple types of systems, software, applications, and other processes SCERS is using to manage its business needs, including: (1) COMPASS; (2) MBASE; (3) Microsoft Access and Excel; (4) a web portal; and (5) FileNet Workplace.

Mr. Lindley how SCERS has grown since 1998 when COMPASS was implemented and how more complex the operations are now in 2014. Ms. Dang described the workflow of SCERS' current IT system and its weaknesses. Ms. Dang noted limitations in the current system for accounting purposes, especially in terms of tracking investment data, which must be managed offline and manually input into COMPASS. Ms. Dang also described what Staff had determined would be an effective IT system, its workflow, and its characteristics.

Mr. Lindley discussed how the IT system fits within the goals and objectives of SCERS' strategic plan. Mr. Lindley noted that the IT system plays an important part in the investment program, service delivery to members and retirees, fiscal responsibility through high quality and readily accessible fiscal analysis and reporting, and risk management.

ADMINISTRATIVE MATTERS (continued):

Mr. Lindley reviewed the work Staff had done on the preliminary IT system assessment. Mr. Lindley stated that Staff had worked with the County's Department of Technology (DTech) to evaluate the current system and to publish a Request For Information to determine if viable options existed in the marketplace. Mr. Lindley noted that Staff had met with three vendors to learn more about their products and services.

Mr. Lindley and Ms. Dang discussed the next steps that should be taken if SCERS decides to move forward on a possible new IT system. Mr. Lindley and Ms. Dang stated that the first step would be to work with DTech to prepare an RFP to find an independent consultant to oversee all phases of a potential system replacement project including Phase I: Formal Needs Assessment; Phase II: Procurement Assistance; and Phase III: Oversight Project Management and Quality Assurance. Mr. Lindley noted that Phase III would only take place if and when viable options had been identified in Phase II.

Discussion followed. No action was taken.

14. General Counsel Robert Gaumer provided a presentation on prospective administrative regulations required for compliance with federal tax law.

Mr. Gaumer stated that this was the culmination of a 4-5 year process involving a State Association of County Retirement Systems (SACRS) task force, and an association of 1937 Act systems and tax counsel, which worked with the IRS through the early submission of a Tax Determination Letter application from Orange County (OCERS) on behalf of the group. Mr. Gaumer noted that tax counsel and OCERS had worked with the IRS to identify areas where the 1937 Act was lacking compliance with the Internal Revenue Code (Code). Mr. Gaumer noted that where noncompliance was found, statutory changes to the 1937 Act were proposed, and in appropriate areas, systems could adopt model regulations which memorialized system operations and became part of the system plan document. Mr. Gaumer noted that the IRS had approved this approach.

Mr. Gaumer stated that in January 2011, SCERS submitted a determination letter application and a voluntary correction program submission. Mr. Gaumer noted that, benefiting from the efforts of the task force and OCERS, in December 2013, SCERS received a favorable determination from the IRS. Mr. Gaumer stated that SCERS also received a compliance statement in response to the voluntary correction program submission. Mr. Gaumer noted that in the compliance statement, the IRS noted eleven issues in the 1937 Act statutory framework that the IRS expects SCERS (and other 1937 Act systems) to remedy "in a reasonable time;" generally before the end of 2014. Mr. Gaumer further stated that between adoption of model regulations and statutory changes currently before the Governor, SCERS will be able to satisfy the conditions set forth in the compliance statement.

ADMINISTRATIVE MATTERS (continued):

Mr. Gaumer reviewed the statutory amendments and seven model regulations.

Motion by Mr. Kelly to receive and file the presentation on prospective administrative regulations required for compliance with federal tax law; Seconded by Mr. Diepenbrock. Motion carried (9-0).

15. General Counsel Robert Gaumer provided a presentation on SCERS' recovery of proceeds in securities class action litigation cases.

Mr. Gaumer stated that at a minimum, the Board must establish a procedure for monitoring filed class action lawsuits, evaluating whether the fund has sustained a loss, and insuring that the required claim forms are filed on time and that recovery is secured. Mr. Gaumer noted that the Board has met and surpassed that minimum standard.

Mr. Gaumer reviewed the resources available to SCERS for monitoring potential class action cases, including State Street Bank, two law firms, and Financial Recovery Technologies. Mr. Gaumer stated that, as a result of all these resources, SCERS is able to successfully monitor securities litigation cases that potentially involve SCERS, regardless of the size of SCERS' losses, to insure some level of asset recovery. Mr. Gaumer noted that over the past three years, SCERS had recovered approximately \$400,000 per year.

Motion by Mr. Kelly to receive and file the presentation on SCERS' recovery of proceeds in securities class action litigation cases; Seconded by Ms. O'Neil. Motion carried (9-0).

INVESTMENT MATTERS:

16. Jamie Feidler of Cliffwater, LLC presented the Alternative Assets Investment Performance Report for periods ending March 31, 2014 and June 30, 2014, including information regarding the hedge fund, private equity, real assets, and opportunities portfolios.

Mr. Feidler reported that SCERS' hedge fund portfolio was up 1.1% in the second quarter of 2014, which was slightly below the absolute policy benchmark (90-day T-Bills + 5%) which was up 1.2%. Mr. Feidler noted that SCERS' hedge funds underperformed the HFRI Equity Hedge Index in the second quarter of 2014, which was up 1.5%.

Mr. Feidler stated that the SC Absolute Return Fund, LLC ("SCARF") was up 0.96% in the quarter, and underperformed the HFRI Fund of Funds Composite Index and the 90-day T-Bills + 5%, which were up 1.5% and 1.2% respectively.

Mr. Feidler stated that for the quarter, SCARF B returned 1.2%, which underperformed the HFRI Fund of Funds Composite Index, was in-line with the 90-day T-Bills +5%, and outperformed SCARF.

INVESTMENT MATTERS (continued):

Mr. Feidler reported that SCERS' direct hedge fund program was up 1.1% during the first quarter, which was in-line with the 90-day T-Bills + 5%, but underperformed the HFRI Fund of Funds Composite Index benchmark.

Mr. Feidler stated that third quarter to date, through August 31, 2014, SCERS' total hedge fund program is up 0.24%, the direct hedge fund program is up 0.19%, SCARF is up 0.28% and SCARF B is up 0.29%. These numbers compare to the HFRI Fund of Funds Composite Index and the 90-day T-Bills +5%, which are up 0.51% and 0.81%, respectively

Mr. Feidler reported that the net investment rate of return ("IRR") of SCERS' private equity portfolio was up 9.1% since inception compared to the Venture Economics Private Equity Index up 10.6% and the multiple of total value to paid in capital ("TVPI") is 1.19x since inception. Mr. Feidler noted that SCERS' private equity portfolio shows lower relative returns due to the early phase/cycle of investments (j-curve affect) compared to the index.

Mr. Feidler reported that, through March 31, 2014, SCERS' real assets portfolio IRR was 6.9% compared to SCERS' real assets portfolio benchmark (CPI + 5%) IRR of 7.4% and SCERS' TVPI was 1.2x.

Mr. Feidler reported that SCERS' opportunistic portfolio generated a net IRR of 8.5% as of March 31, 2014 which has outperformed SCERS' long-term benchmark (SCERS' actuarial rate of return) of 7.5%. In addition, SCERS' opportunistic portfolio has outperformed SCERS' intermediate benchmark with a return of 12.4% over the past three years compared to a 6.2% IRR for SCERS' policy benchmark.

Motion by Mr. DeVore to receive and file the quarterly performance report; Seconded by Mr. Kelly. Motion carried (9-0).

17. Jennifer Young of The Townsend Group presented the quarterly performance report on real estate investments for the quarter ended June 30, 2014.

Ms. Young reported that SCERS' total real estate portfolio returned 4.0% during the second quarter of 2014, outperforming the benchmark (NFI-ODCE) of 2.7%. Ms. Young stated that for the 12-month period ending June 30, 2014, SCERS' real estate portfolio return was 11.4% and that in the same period, the benchmark returned 11.7%.

Ms. Young reported that SCERS' domestic public REIT portfolio returned 7.5%, compared to a second quarter return of 7.0% for the FTSE NAREIT (domestic) REIT Index. Ms. Young stated that SCERS' international REIT portfolio returned 8.8% in-line with the second quarter return of 8.8% for the FTSE EPRA/NAREIT Global ex-US REIT Index.

INVESTMENT MATTERS (continued):

Ms. Young reported that SCERS' core real estate portfolio returned 2.9% during the second quarter, slightly outperforming the benchmark of 2.7%. Ms. Young stated that for the 12-month period ending June 30, 2014, SCERS' core real estate portfolio return was 10.0% and that in the same period, the benchmark returned 11.7%. Ms. Young further stated that the core separate accounts and the core commingled fund returned 10.2% and 9.4%, respectively, for the quarter.

Ms. Young reported that SCERS' non-core real estate portfolio returned 4.0% for the quarter, marginally less than Townsend's benchmark of the NCREIF / Townsend Value Added Funds, which returned 4.1%. Ms. Young stated that SCERS' non-core real estate portfolio returned 13.7% for the 12-month period, trailing the benchmark return of 14.1%.

Motion by Mr. Kelly to receive and file the quarterly performance report; Seconded by Ms. O'Neil. Motion carried (9-0).

18. Chief Investment Officer Scott Chan introduced the educational presentation on potential investment strategies for SCERS' real assets asset class.

Deputy Chief Investment Officer Steve Davis reviewed the four objectives of the real assets asset class, including providing: (1) Attractive risk-adjusted returns; (2) A hedge to inflation; (3) Diversification, particularly against equities; and (4) Moderate income and cash flow generation. Mr. Davis noted that SCERS is currently underweight to the target allocation in the real assets asset class.

Mr. Davis discussed the concept of debt backed by real assets, noting that it consists of forms of debt such as a loan where the investor is senior in the capital structure and which is secured by a real asset as collateral. Jamie Feidler of Cliffwater, LLC reviewed examples of potential investments in debt backed by real assets, including equipment leasing and commercial & industrial loans. Mr. Feidler stated that many of these investments involve real estate or equipment as collateral.

Mr. Chan described why these investments provide good value, noting that the upside return was similar to higher risk equity such as real estate, but that the downside risk was better. Mr. Chan also stated that within these investments, the debt was over collateralized by the real asset, meaning that there was the ability to recover more than the debt in the event of default. Finally, Mr. Chan noted that these investments are short to medium term in duration, which would minimize the j-curve.

Mr. Chan then reviewed the potential risks with investing in debt backed by real assets, including: (1) Market dynamics changing due to increased competition; (2) The default cycle being correlated to the business cycle; (3) Mark-to-market losses; (4) Operational risk; (5) Illiquidity; and (6) Re-investment risk in a less favorable market.

INVESTMENT MATTERS (continued):

Mr. Feidler examined the characteristics of investment managers and general partners within the field of debt backed by real assets. Mr. Feidler stated that the investment manager must be disciplined purchasers and lenders, and capable of properly pricing risk and valuing underlying capital.

Mr. Chan described the characteristics of the structure of a possible investment in the area of debt backed by real assets. Mr. Chan noted that the structure should: (1) Provide SCERS with sufficient control and the ability to protect against risks; (2) Feature better terms and fee structures; and (3) Increase SCERS' knowledge of the markets and assets. Mr. Chan stated that the structure should also provide increased transparency and an additional layer of risk protection in the event that the opportunity deteriorates. Mr. Chan discussed the investment process in such a structure, noting that the manager is the fiduciary, but that SCERS is provided with certain negative consent rights. Finally, Mr. Chan reviewed the ways in which the fee structure of these investments was favorable to SCERS.

Discussion followed, in which the Board indicated that it supported Staff moving forward on potential investments in the area of debt backed by real assets.

Motion by Mr. Kelly to receive and file the quarterly performance report; Seconded by Ms. O'Neil. Motion carried (8-0).

19. Chief Investment Officer Scott Chan introduced the presentation of a report by Zeno Consulting on 'soft dollar' trading practices of SCERS' investment managers. Mr. Chan noted that Zeno has provided many consulting services for SCERS, including transition management, foreign exchange transaction auditing, and oversight of soft dollar functions. Mr. Chan further stated that Zeno provides oversight and assessment of SCERS' investment managers to ensure that the managers are seeking best execution on behalf of SCERS.

Vinod Pakianathan, Senior Vice President of Zeno Consulting provided a primer on soft dollars and commission recapture. Mr. Pakianathan stated that brokerage commissions were generally used for three purposes: (1) Payment for trade execution; (2) Payment for research and services; and (3) Commission recapture programs. Mr. Pakianathan explained that the term soft dollars is used when managers execute a fund's trades through certain brokers and pay a slightly higher commission rate than normal (out of the fund assets) in return for credits the manager can subsequently use to purchase brokerage and research services for the benefit of the manager. Mr. Pakianathan noted that this is permissible under the Securities and Exchange Act of 1934. Mr. Pakianathan stated that while managers are allowed to pay higher than normal commission rates for soft-dollar services, the managers' overall costs must still meet "best execution" standards and plan sponsors have the right to monitor, limit, and/or prohibit the purchase of soft-dollar services

INVESTMENT MATTERS (continued):

from the fund's trades. Mr. Pakianathan noted that operational, administrative, and marketing-related services are not permissible purchases.

Mr. Pakianathan described commission recapture arrangements whereby plan sponsors request (or sometimes direct) their managers to execute a percentage of the fund's trades through a specific "Commission Recapture" broker in exchange for a rebated a portion of the commission rate paid by the fund's managers. Mr. Pakianathan noted that commission recapture programs do not excuse a manager from their obligation to seek best execution. Mr. Pakianathan stated that commission recapture brokers typically provide monthly accounting statements of the amount of fund trades executed through the commission recapture program. Mr. Pakianathan also stated that since commission recapture programs potentially influence manager trade processes, the SEC has stated that plan sponsors should conduct "heightened scrutiny" to ensure the programs are working as intended, and receiving best execution.

Mr. Pakianathan reviewed SCERS' trading and oversight policies, including the commission recapture program through State Street Bank. Mr. Pakianathan stated that in 2013, seven of SCERS' 13 separate account equity managers participated in the program and that the program generated \$127,000 in rebates from the \$228,000 executed by those seven managers.

Mr. Pakianathan stated that in February 2014, SCERS engaged Zeno Consulting to audit the soft dollar practices of SCERS' equity managers. Mr. Pakianathan reviewed the audit's goals, including: (1) Determining if soft dollar trades received best execution; (2) Determining whether SCERS' managers paid excessive soft dollars rates; and (3) Ensuring soft dollar purchases were consistent with SEC requirements and SCERS' policies

Mr. Pakianathan reviewed the findings of the audit. Mr. Pakianathan stated that the execution quality on SCERS' 2013 soft dollar trades was in-line with non-soft dollar trades; that commission rates on the 2013 soft dollar trades were within an expected (and acceptable) range; and that no illegal 2013 soft dollar purchases were identified.

Motion by Ms. O'Neil to receive and file the presentation of a report on 'soft dollar' trading practices of SCERS' investment managers by Zeno Consulting; Seconded by Ms. Hoover. Motion carried (8-0).

20. Chief Investment Officer Scott Chan introduced an educational presentation by Zeno Consulting and SCERS Staff on 'high frequency trading.'

Steven Glass, President and CEO of Zeno Consulting, noted that high frequency trading (HFT) had become a popular topic recently due to the book 'Flash Boys' by Michael Lewis

INVESTMENT MATTERS (continued):

that came out in early 2014. Mr. Glass explained HFT, noting that in many ways, it is simply a logical manifestation of our current market structure and electronic trading environment. Mr. Glass stated that, while HFT had not yet been formally defined by US regulators, it typically entails the use of very sophisticated computer algorithms, high-speed communication components, and geographic proximity to trading centers in order to implement trading strategies as quickly as possible. Mr. Glass noted that two important distinctions from the typical investment manager used by plan sponsors were that most HFT firms tend to assess their profitability daily and that most HFT firms invest their own money rather than that of outside clients.

Mr. Glass stated that there is no consensus on whether HFT is good or bad, but that opponents argue that the super-fast posting and cancelling of HFT quotes provides a false sense of liquidity and price discovery; that many HFT trading practices are designed as “winner take all” strategies in which the firm with the fastest process wins every time; that HFT firms and the exchanges that cater to HFT firms collude to develop features; and that the combination of all of these issues contributes to general erosion of confidence in the integrity of the markets.

Mr. Glass stated that proponents of HFT state that HFT is simply a product of the fragmented market-structure; that many if not most empirical studies suggest that HFT quotes result in lower overall trading costs by providing liquidity and narrowing the bid/ask spread; that explicit trading costs have been reduced to unprecedented levels; and that curbing HFT may therefore result in higher costs and lower liquidity.

Mr. Glass reviewed various proposed industry solutions, but noted that for plan sponsors that do not run money internally, there is little direct action a fund can take. Mr. Glass stated that HFT micro-market structure issues are more properly the province of the fund’s investment managers, the broker/dealers those managers use, and the trading centers where their trades are executed.

Mr. Glass stated that Zeno feels additional study and quantitative analysis of HFT is needed before final conclusions are drawn. Mr. Glass noted that Zeno is also mindful that crafting a regulatory solution to HFT (if one is needed) does not guarantee the achievement of the desired goals, and sometimes results in unintended and undesired consequences. Mr. Glass stated that additional analysis will not only help clarify whether certain practices should be constrained, but also assist regulators in fashioning appropriate solutions.

Mr. Glass stated that plan sponsors should not ignore the effects of HFT, but rather be aware of the situation and maintain due diligence oversight regarding the fund’s investment managers. Mr. Glass further stated that plan sponsors have a right to expect their managers to be knowledgeable and employ “smart order-routing” strategies that minimize the risk from HFT.

INVESTMENT MATTERS (continued):

Discussion followed.

Motion by Mr. Kelly to receive and file the educational presentation by Zeno Consulting and SCERS Staff on ‘high frequency trading;’ Seconded by Ms. Gin. Motion carried (7-0).

The meeting was adjourned at 3:09 p.m.

MEMBERS PRESENT: Richard B. Fowler II, John B. Kelly, Keith DeVore (departed 2:28 p.m.), James A. Diepenbrock (departed 1:10 p.m.), Diana Gin, Kathy O’Neil, Chris Pittman, Julie Valverde, John Conneally and Martha J. Hoover.

MEMBERS ABSENT: Michael DeBord.

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, Strategic Investment Solutions, Inc.; Jamie Feidler, Cliffwater, LLC; Jennifer Young, The Townsend Group; Steven Glass and Vinod Pakianathan, Zeno Consulting Group; and Wayne Todd.

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; Mark Merin; John R. Descamp; and The Sacramento Bee.