



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, 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, JULY 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, July 20, 2016, and commenced at 10:00 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.
2. Chief Executive Officer Richard Stensrud invited nominations for the positions of SCERS Board Officers for 2016-2017 fiscal year. Motion by Mr. Diepenbrock to re-nominate the current Board Officers, with Rick Fowler serving as Board President and John Kelly and Keith DeVore serving as Vice President for the 2016-2017 fiscal year; Seconded by Mr. DeBord. Motion carried (8-0).

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3. The Minutes of the June 15, 2016 regular meeting were approved on Motion by Mr. Kelly; Seconded by Mr. Lamera. Motion carried (8-0).

CONSENT MATTERS:

Items 4-14

Item 12 was taken off the Consent Calendar at the request of Chief Executive Officer Richard Stensrud as additional information was needed for this item. The remaining Consent Matters (Items 3-11 and 13-14) were acted upon as one unit upon a Motion by Mr. Kelly; Seconded by Mr. Pittman. Motion carried (8-0).

4. LANGLEY, Robert O.: Granted a nonservice-connected disability retirement.
5. SCHUMAKER, Shannon G.: Granted an interim nonservice-connected disability retirement.
6. SERRANO, Jesus M.: Granted a service-connected disability retirement.
7. CRIQUI, Stephen: Denied a service-connected disability retirement.
8. OSBY, Margaret M.: Denied a service-connected disability retirement.
9. Approved the request by the County of Sacramento to prepay its employer retirement contribution for the 2016-2017 fiscal year.
10. Approved the amendment to SCERS' policy on Disclosure of Third Party Representation of and Fee Sharing by SCERS' Investment Managers.
11. Executed the Annual Oath of Office and Affirmation of Duties and Responsibilities.
13. Received and filed the June 2016 Monthly Investment Portfolio Activity Report.
14. Received and filed the June 2016 Monthly Investment Manager Compliance Report and Watch List.

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 for the 17th consecutive year, SCERS has earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for SCERS' Comprehensive Annual Financial Report (CAFR). Mr. Stensrud commended Staff on their accomplishment.

Mr. Stensrud reported that at the August Board Meeting, Staff anticipates presenting the Board with the first Request for Proposals (RFP) as part of the IT Modernization Program.

ADMINISTRATIVE MATTERS (continued):

Mr. Stensrud stated that this RFP would be to provide data conversion services. Mr. Stensrud noted that using a data conversion service provider would optimize the quality of the data that would be utilized in the potential new financial and pension administration systems, which would then optimize the quality of the output from those systems.

Mr. Stensrud reported that AB 1853, the bill initiated by the State Association of County Retirement Systems (SACRS) pertaining to the operating authority of county retirement systems, is continuing to move through the legislative process. Mr. Stensrud stated that the bill was recently passed out of the Senate Public Employment and Retirement Committee and is now awaiting action by the Senate. Mr. Stensrud noted that, if the bill is passed by the Senate, the bill would then return to the Assembly for a vote on the amendments that had been added to the bill in the Senate.

Mr. Stensrud reported that AB 2833, a bill involving transparency in private market transactions, had also passed out of the Senate Public Employment and Retirement Committee and will be awaiting action by the State Senate. Mr. Stensrud stated that while SCERS fully supports transparency, attempting to gain transparency via statute can be challenging. Mr. Stensrud noted that there is also a market participant initiative through the Institutional Limited Partners Association (ILPA) that is seeking to include transparency disclosures in contracts with general partners. Discussion followed.

Mr. DeBord asked if Staff had a value yet for SCERS' 2015-2016 fiscal year return. Deputy Chief Investment Officer Steve Davis stated that since the fiscal year just ended, a final number was not available yet, but that Staff was estimating the return to be between 0% and -0.75%. Discussion followed.

16. Chief Executive Officer Richard Stensrud reviewed the information placed on SCERS' website and the policy for responding to requests for information. Mr. Stensrud noted that SCERS provides an extensive amount of information on the SCERS website regarding all aspects of the roles and responsibilities performed by SCERS, including Board Meeting agendas and minutes dating back to 2004, investment materials, financial materials, actuarial materials, important notices, educational materials, active and retired member materials, and news and developments.

Mr. Stensrud noted that any materials considered by the Board at a Board Meeting that meet the definition of a disclosable 'public record' are provided to any interested party upon request. Mr. Stensrud noted that SCERS regularly receives and responds to such requests from the media and other interested parties. Mr. Stensrud stated that there is broad notice of the materials considered by the Board because Board Meeting agendas and minutes are available for review on the SCERS website. Mr. Stensrud noted that, to date, no complaints about lack of transparency or lack of access to non-confidential Board materials had been brought to his attention.

ADMINISTRATIVE MATTERS (continued):

Mr. Stensrud stated that in the past the Board has been satisfied that sufficient transparency has been achieved through the combination of the information that is already being posted on the SCERS website and the ability of interested parties to attend Board Meetings and/or request copies of materials. Mr. Stensrud further noted, however, that it was appropriate to reconsider such questions given the increased public interest regarding transparency.

Mr. Stensrud stated that Board Member Steven Baird had requested that the Board consider the question of whether non-confidential materials presented to and considered by the Board at a Board Meeting should be posted on the SCERS website subsequent to the Board Meeting. Mr. Baird noted that he had been asked by SCERS members about items that had been considered at the Board Meetings and that there was a desire by SCERS members to have easier access to Board materials. Discussion followed.

Mr. Stensrud noted that SCERS' long standing policy and practice is that the CEO is responsible for providing information to outside parties, including responding to all requests for information. Mr. Stensrud noted that this includes any information requests made to Board Members. Mr. Stensrud outlined the various reasons for the policy. Mr. Stensrud noted that the policy had served SCERS well and recommended that the Board reaffirm the policy and practice.

Motion by Mr. Diepenbrock to direct Staff to post all non-confidential Board Meeting materials to the SCERS website at the conclusion of each Board Meeting and to reaffirm SCERS' policy and practice that the CEO is responsible for providing information to outside parties, including responding to all requests for information, and that any such requests made to Board Members be referred to the CEO for response; Seconded by Mr. Baird. Motion carried (8-0).

INVESTMENT MATTERS:

17. Chief Executive Officer Richard Stensrud introduced the presentation on the enterprise risk tolerance (ERT) component of SCERS' strategic asset allocation and investment structure analysis. Mr. Stensrud noted that over the past few months, SCERS had initiated an asset liability modeling (ALM) study, and as part of the study, had presented the Board with a survey designed to help identify and prioritize investment-related objectives, principles and risks. Mr. Stensrud explained that this information would be used in developing potential asset allocation models and investment structures for the Board to consider. Mr. Stensrud noted that an assumption going into the current ALM study was that the Board remains confident in the course set in the last ALM study and that an overarching objective of the ERT analysis was to confirm whether this assumption was correct. Mr. Stensrud stated that the responses to the ERT survey validated this assumption.

INVESTMENT MATTERS (continued):

Barry Dennis of Verus provided an overview of the ERT survey and the consensus views expressed by the Board through the survey. Mr. Dennis summarized the findings, including information gathered on the Board's investment philosophy, risk tolerance, and views on the investment return assumption.

John Nicolini of Verus reviewed of the results of the survey, noting that the sustainability of the plan and achieving true portfolio diversification are the most important objectives to the Board. Mr. Nicolini also reviewed the Board's results on various types of risk.

Deputy CIO Steve Davis stated that the ERT survey provides Verus and Staff good direction on how to further proceed with the ALM study. Mr. Davis noted that the outcome of the current ALM study is likely to be less about significantly changing the exposure level to the major asset categories, and more towards analyzing SCERS' asset allocation through different risk lenses, potentially leading to re-classifying and re-allocating portions of the portfolio to better align with desired risk exposures and outcomes.

Discussion followed.

No action was requested or taken.

18. Mr. Stensrud introduced the educational presentation by EnCap Investments LP regarding the energy infrastructure strategies they manage as part of SCERS' real assets portfolio.

Investment Officer JR Pearce introduced Chuck Bauer and Jason DeLorenzo from EnCap Investments. Mr. Pearce noted that over the past few years, SCERS has made significant progress in building its real assets portfolio, including investing in multiple EnCap funds. Mr. Pearce stated that Mr. Bauer and Mr. DeLorenzo would provide a presentation that will describe their organization, the funds' performance, EnCap's investment strategy, how EnCap creates value, EnCap's competitive advantages, and the state of the oil and gas industry.

Mr. Bauer provided an overview of EnCap, EnCap's strategic focus, and EnCap's performance history and fund track record.

Mr. DeLorenzo then discussed EnCap's investment model and risk management philosophy.

Mr. Bauer and Mr. DeLorenzo then provided an overview of the oil and gas industry.

Discussion followed.

No action was requested or taken.

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

MEMBERS PRESENT: Rick Fowler, John B. Kelly, Steven L. Baird, Michael DeBord, James A. Diepenbrock, Diana Gin, Ben Lamera (departed at 12:00 p.m.), Chris Pittman, and John Conneally.

MEMBERS ABSENT: Keith DeVore and Martha J. Hoover.

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; JR Pearce, Investment Officer; John Lindley, IT Administrator; Barry Dennis and John Nicolini, Verus Advisory, Inc.; Jamie Feidler, Cliffwater LLC; Chuck Bauer and Jason DeLorenzo, EnCap Investments LP; John Kennedy, Nossaman LLP; and Diana Ruiz, Deputy 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.