



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

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, MONDAY, NOVEMBER 9, 2015

A special meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 19th Floor, Sacramento, California, on Monday, November 9, 2015, and commenced at 10:00 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the October 21, 2015 regular meeting were approved on Motion by Mr. Kelly; Seconded by Mr. DeVore. Motion carried (8-0).

CONSENT MATTERS:

Items 3-8

The Consent Matters were acted upon as one unit upon a Motion by Mr. DeVore; Seconded by Ms. Hoover. Motion carried (8-0).

CONSENT MATTERS (continued):

3. COBIAN, Ricardo: Granted a service-connected disability retirement.
4. Approved matters being presented for a vote by the membership at the State Association of County Retirement Systems (SACRS) Fall Conference.
5. Received and filed the Selected Fees and Costs for Outside Legal Services for the Quarter Ended September 30, 2015.
6. Received and filed the Portfolio Re-Balancing Report for the Quarter Ended September 30, 2015.
7. Received and filed the Trading Cost Report for the Quarter Ended September 30, 2015.
8. Received and filed the October 2015 Monthly Investment Portfolio Activity Report.

ADMINISTRATIVE MATTERS:

9. 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 SCERS would soon be starting the IRS tax determination process again. General Counsel Robert Gaumer noted that the application was due in January, but that SCERS would be filing in December to allow time for any necessary revisions. Mr. Stensrud stated that hopefully the review would be faster this time given the work done during the last determination process.

Mr. Stensrud reported that the proposed revisions to the disability review process were being completed and that Staff would soon be presenting them to the Board at an upcoming meeting.

Mr. Stensrud noted that a CALAPRS Advanced Board Leadership Institute: 'Advanced Principles of Pension Management for Trustees' would be taking place from January 27-29, 2016 at UCLA. Mr. Stensrud stated that any Board Members interested in attending could contact Staff for help with registration.

Mr. Stensrud reported on a potential real assets investment in which an involved party had recently been acquired by another company. Mr. Stensrud stated that Staff is still trying to determine the impact this transaction will have on the potential investment. Deputy Chief Investment Officer Steve Davis and Jamie Feidler of Cliffwater, LLC provided further discussion.

ADMINISTRATIVE MATTERS (continued):

Mr. Stensrud reported that, per the protocol that the Board has established regarding potential investments, Board Member Steve Baird had raised some concerns over a potential real assets investment. Mr. Stensrud noted that a response had been provided to Mr. Baird and shared with the other Board Members and that he would be happy to entertain any questions or provide additional information. Mr. Baird stated that Staff's response adequately addressed his concerns and that he had no further concerns. The other Board Members concurred that they were satisfied with the response as well.

10. Paul Angelo and Andy Yeung of Segal Consulting (Segal) presented the SCERS Actuarial Valuation as of June 30, 2015.

Mr. Angelo began by reviewing SCERS' funding policy including the amortization methods for unfunded liability. Mr. Angelo then noted SCERS' funding ratio on a smooth value basis had increased from 85.2% to 86.8%, but that it actually decreased on a market value basis from 91.0% to 87.3%. Mr. Angelo explained that this was due to lower than expected returns on a market value basis, but that after smoothing, there was a higher than expected value on an actuarial basis. Mr. Angelo further noted that SCERS' unfunded actuarial accrued liability (UAAL) decreased from \$1,268 million to \$1,190 million.

Mr. Angelo reported that the aggregate employer contribution rate decreased from 24.15% of payroll to 22.54% of payroll. Mr. Angelo stated that this decrease was due to the higher than expected returns after smoothing, lower than expected salary increases, and changes in cost sharing.

Mr. Angelo reported that the aggregate member contribution rate increased from 7.93% of payroll to 8.84% of payroll. Mr. Angelo stated that this increase was due primarily to changes in normal cost sharing.

Mr. Angelo reported that the total net unrecognized investment gain is \$40 million, which will be recognized in the determination of the actuarial value for funding purposes over the next six years as part of the smoothing process.

Discussion followed, including discussion of membership levels; the active member to retiree and beneficiary ratio; the impact on that ratio of the County's downsizing measures; the portion of the benefit funded by member contributions; active members with more than forty (40) years of service; member COLA cost; and Safety contribution rates. Mr. Angelo also discussed the changes being implemented at CalPERS with respect to their actuarial investment return assumption.

ADMINISTRATIVE MATTERS (continued):

Motion by Ms. Gin to receive and file the Actuarial Valuation as of June 30, 2015; Seconded by Mr. Conneally. Motion carried (8-0).

Motion by Mr. DeVore to adopt the proposed employer and employee contribution rates for the 2015-16 Fiscal Year; Seconded by Mr. Conneally. Motion carried (8-0).

11. Paul Angelo and Andy Yeung of Segal Consulting (Segal) presented the Government Accounting Standards Board Statement No. 67 (GASB 67) actuarial valuation report as of June 30, 2015.

Mr. Angelo stated that this is the second time GASB 67 has been reported and that the implementation of GASB 67 has resulted in major accounting and financial reporting changes as employers are now required to report their share of pension liability on their respective balance sheets.

Mr. Angelo noted that when measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as SCERS uses for funding. Mr. Angelo stated that this means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on the same basis as SCERS' Actuarial Accrued Liability (AAL) measure for funding. Mr. Angelo also explained that the Net Pension Liability (NPL) is equal to the difference between the TPL and the plan's Fiduciary Net Position and that the plan's Fiduciary Net Position is equal to the market value of assets. Mr. Angelo stated that, therefore the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.

Mr. Angelo reported that the NPL increased from \$770.9 million to \$1,149.9 million as of June 30, 2015, primarily as a result of unfavorable investment results during 2014/2015 offset somewhat by actual individual salary increases and actual COLA increases less than expected by the actuarial assumptions.

INVESTMENT MATTERS:

12. Barry Dennis of Strategic Investment Solutions presented the Investment Performance Report for the Quarter Ended September 30, 2015.

Mr. Dennis reported that the Total Fund (TF) return for the second quarter, including the impact of the overlay program, was -4.7% gross of fees. The TF return was 0.7% below the policy index of -4.0%, and 0.5% below the allocation index return of -4.2%. The TF return without the impact of the overlay program was -4.2%.

INVESTMENT MATTERS (continued):

Mr. Dennis reported that on a comparative basis, the return for the quarter was better than the Public Funds \$1+ Billion Median return of -5.0%. The TF return ranks in the 37th percentile in the InvestorForce Universe, which is the ranking universe used by SIS. The major asset classes experienced mixed returns for the quarter.

Mr. Dennis reported that at the asset class level, quarter outperformance occurred, gross of fees, in the domestic equity, international equity, absolute return, private equity, and opportunistic segments. Underperformance occurred in the fixed income and real assets segment.

Mr. Dennis reported that for calendar year to date, the TF return gross of fees, including the impact of the overlay program was -2.3%, which was 1.0% below the return of the policy index benchmark return of -1.3%, and 0.2% below the allocation index return of -2.1%. The return of the TF without the impact of the overlay was -1.7%. The TF calendar year to date return was 0.3% above the Public Funds \$1+ Billion Median return of -2.6%, and ranks in the 46th percentile in the InvestorForce Universe.

Mr. Dennis reported that the annualized TF return gross of fees for three years of 6.9% is 0.1% below the policy index benchmark for the same period. The annualized TF return gross of fees for five years of 7.7% is 0.2% below the policy index benchmark for the period. The TF gross of fees return of 8.2% since the inception of SIS's data in June of 1986 is 0.3% below the Total Benchmark return of 8.5% for the period, but above SCERS' actuarial investment return assumption which has ranged from 8.25% to 7.50% (currently) during the period.

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

The meeting was adjourned at 12:04 p.m.

MEMBERS PRESENT: Rick Fowler, John B. Kelly, Keith DeVore, Steven L. Baird, Michael DeBord (arrived at 10:07 a.m.), Diana Gin, Julie Valverde, John Conneally, and Martha J. Hoover.

MEMBERS ABSENT: James A. Diepenbrock and Chris Pittman.

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; Barry Dennis and John Nicolini, Strategic

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Investment Solutions, Inc; Jamie Feidler, Cliffwater LLC; Peter Angelo and Andy Yeung, Segal Consulting; and Robert Bonner, County of Sacramento.

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.