



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, WEDNESDAY, OCTOBER 21, 2015

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 21, 2015, and commenced at 10:00 a.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. Board President Rick Fowler welcomed new SCERS Board Member Steven Baird to the Board.

##### MINUTES:

2. The Minutes of the September 16, 2015 regular meeting were approved on Motion by Mr. DeBord; Seconded by Mr. Pittman. Motion carried (7-0).

##### CONSENT MATTERS:

Items 3-8

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

3. CROMWELL, Larry M.: Granted a service-connected disability retirement.

**CONSENT MATTERS (continued):**

4. ERICKSON, Sharon: Denied a service-connected disability retirement.
5. PADLO, Marylouise A.: Denied a nonservice-connected disability retirement.
6. RIFFLE, Kerri M.: Denied a nonservice-connected disability retirement.
7. Received and filed the September 2015 Monthly Investment Portfolio Activity Report.
8. Received and filed the September 2015 Monthly Investment Manager Compliance Reports and Watch Lists.

**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' annual independent financial audit was underway. Mr. Stensrud stated that the audit should last a few weeks and that the auditor, Macias Gini & O'Connell, would present their report at the December Board Meeting.

Mr. Stensrud stated that the November Retirement Board Meeting would be on Monday, November 9. Mr. Stensrud noted that the earlier date was due to the State Association of County Retirement Systems (SACRS) Fall Conference which would be taking place in San Diego November 17 - 20. Mr. Stensrud noted that those interested in attending the conference should contact Staff for assistance. Mr. Stensrud further noted that the annual actuarial valuation was expected to be presented at the November Meeting.

Mr. Stensrud reported on the potential SACRS legislative proposal that would expand the voting capabilities of the Alternate Retiree Trustee. Mr. Stensrud stated that the proposal would be deferred for further refinement.

Mr. Stensrud reported that efforts were continuing on the proposed ballot initiative that would call for all new public employees to be part of a defined contribution plan as opposed to the current defined benefit plan. Mr. Stensrud stated that the initiative had been analyzed by the State Legislative Analyst and had been titled by the State Attorney General. Mr. Stensrud reported that following these actions, the proponents of the initiative withdrew it and then resubmitted it as two initiatives. Mr. Stensrud noted that these two initiatives would go through the same process of analysis and titling that the original initiative went through. Mr. DeBord reported that the California Retired County Employees Association (CRCEA) had met to discuss the initiatives. Discussion followed.

**ADMINISTRATIVE MATTERS (continued):**

Mr. Stensrud reported that all but one of the new Staff positions that the Retirement Board had approved as part of SCERS 2015-2016 budget had been approved by the County Board of Supervisors. The one remaining position to be approved is the Senior Information Technology Analyst position.

Mr. Stensrud reported that SCERS' general investment consultant, Strategic Investment Solutions, Inc., had recently announced that they would be merging with Verus Advisory, Inc. Mr. Stensrud also reported that SCERS' real estate investment consultant, The Townsend Group, would be going through an ownership change. Mr. Stensrud noted that these matters would be addressed further during the investment segment of the meeting.

Mr. Stensrud requested that Deputy Chief Investment Officer Steve Davis to comment on a few investment matters. Mr. Davis reported on the redemption of funds from investment manager Claren Road, the transformation of the real assets proxy for the overlay program, and the rollover of swaps being used as placeholders pending investment manager searches.

Mr. DeVore asked Mr. Stensrud to comment at a future meeting on CalPERS' proposal to lower its assumed investment rate of return. Mr. Stensrud stated that he would indeed address this at a future meeting.

10. Chief Executive Officer Richard Stensrud presented the proposed engagement of Linea Solutions, Inc. to provide information technology systems consulting services related to the development of an integrated enterprise system for addressing SCERS' pension administration, investment, and financial needs.

Chief Operations Officer Kathy Regalia introduced Thuyet Dang, Senior Accounting Manager, who also supervises SCERS' IT Staff, and John Lindley, IT Administrator.

Mr. Lindley provided a review of the process that has brought SCERS to its current IT position. Mr. Lindley stated that in 2012, SCERS Staff met with Sacramento County Chief Information Officer Rami Zakaria to begin a process to assess SCERS' current IT system in light of both current and future organizational needs. Mr. Lindley noted that, over the following months, with the assistance of Sacramento County Department of Technology (DTech) staff, significant gaps were identified between SCERS' organizational needs and current system capabilities. Mr. Lindley stated that in 2013, SCERS issued a Request for Information (RFI) to determine if viable software options existed in the marketplace that could meet the current and future organizational needs of SCERS. Mr. Lindley noted that Staff and DTech reviewed the responses to the RFI and met with three vendors.

Mr. Lindley reported that in 2014, DTech prepared a closure report to the RFI process, stating that, "Given the responses received it appears that there are vended systems

**ADMINISTRATIVE MATTERS (continued):**

available that do have viable options for the base business functions required by SCERS.” Mr. Lindley noted that the closure report also stated that, “If it is determined that SCERS would like to continue to pursue a vended solution they may want to consider hiring a consultant to work with SCERS and DTech to create the RFP, select a vendor, and implement the system. There are vendors that specialize in public retirement systems that could streamline the requirements and implementation process.”

Mr. Lindley stated that also in 2014, Staff presented an Overview of SCERS’ Technology Needs Assessment to the Board. Mr. Lindley noted that, in that overview, Staff discussed the limitations of their current technology platforms.

Mr. Lindley then reviewed the Request for Proposals (RFP) process that SCERS undertook in 2015. Mr. Lindley introduced the evaluation committee formed to review the responses to the RFPs, including DTech IT Manager Corinna Zollars, Retirement Board Member Chris Pittman, and from SCERS Staff, Mr. Stensrud, Ms. Regalia, Ms. Dang, and himself.

Mr. Lindley discussed the evaluation committee’s review process and stated that the committee unanimously agreed that Linea Solutions’ approach would provide a more efficient path forward that would maximize the value to SCERS.

Bryce Haws, Vice President of Strategic Relations, and Brian Colker, Principal, from Linea Solutions then provided a presentation on their firm and an overview of their proposal.

Discussion followed.

Motion by Mr. Pittman to approve the proposed engagement of Linea Solutions, Inc. to provide information technology systems consulting services related to the development of an integrated enterprise system for addressing SCERS’ pension administration, investment, and financial needs; Seconded by Mr. DeBord. Motion carried (6-0, Mr. Baird abstained).

**INVESTMENT MATTERS:**

11. Deputy Chief Investment Officer Steve Davis introduced a discussion on recent developments in the investment markets. Mr. Davis provided an update on global investment markets and discussed how and where SCERS is investing.

John Nicolini from Strategic Investment Solutions, Inc. provided more information on the merger between SIS and Verus Advisory. Mr. Nicolini discussed the benefits this merger will provide SCERS.

**INVESTMENT MATTERS (continued):**

Nick Rittenhouse from The Townsend Group discussed the global economic outlook and real estate investment opportunities. Micolyn Magee from The Townsend Group then reviewed the firm's ownership change and its impact on Townsend and its clients.

Jamie Feidler of Cliffwater, LLC then discussed recent developments with alternative assets.

The meeting was adjourned at 12:01 p.m.

MEMBERS PRESENT: Richard B. Fowler II, John B. Kelly, Steven L. Baird, Michael DeBord, Keith DeVore, Chris Pittman, John Conneally, and Martha J. Hoover.

MEMBERS ABSENT: James A. Diepenbrock, Diana Gin, and Julie Valverde.

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; John Nicolini, Strategic Investment Solutions, Inc; Jamie Feidler, Cliffwater LLC; Micolyn Magee and Nick Rittenhouse, The Townsend Group; Brian Colker and Bryce Haws, Linea Solutions, Inc; Corinna Zollars, Sacramento County Department of Technology; and Larry Cromwell.

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.