



Executive Staff:

Richard Stensrud  
Chief Executive Officer

Jeffrey W. States  
Chief Investment Officer

John W. Gobel, Sr.  
Chief Benefits Officer

Kathryn T. Regalia  
Chief Operations Officer

Members of the Board of Retirement

James A. Diepenbrock, President  
Appointed by the Board of Supervisors

Ronald D. Suter, 1<sup>st</sup> Vice President  
Elected by Miscellaneous Members

John B. Kelly, 2<sup>nd</sup> Vice President  
Appointed by the Board of Supervisors

Mark Norris, Director of Finance  
Ex-Officio

Keith DeVore  
Elected by Miscellaneous Members

Winston Hickox  
Appointed by the Board of Supervisors

William D. Johnson  
Elected by Safety Members

Nancy Wolford-Landers  
Elected by Retired Members

Robert Woods  
Appointed by the Board of Supervisors

William Cox  
Elected by Retired Members

Steven Soto  
Elected by Safety Members

## MINUTES

### RETIREMENT BOARD MEETING, FEBRUARY 17, 2005

The regular meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, U.S. Bank Plaza Building, 980 9th Street, 18<sup>th</sup> Floor, Sacramento, California, on February 17, 2005, at 1:00 p.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. The Minutes of January 20, 2005, were approved on motion made by Mr. DeVore; Seconded by Mr. Woods. Motion carried (6-0).

#### CLOSED SESSION:

##### DISABILITY MATTERS:

3. DUNCAN, Robert E.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated February 17, 2005.
4. HEAP, Carlina: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated February 18, 2005.
5. LLOYD, Judith T.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated February 18, 2005.

**DISABILITY MATTERS: (continued)**

6. MACLEANE, Joe: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated February 18, 2005.
7. MADRIGAL, George J.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated February 18, 2005.

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

8. Chief Executive Officer Richard Stensrud asked Supervising Deputy County Counsel Michelle Bach to provide an update on the legal action brought by the Sacramento Bee to obtain information on recent County retirees returning to work for the County under the post-retirement employment provisions of the County Employees' Retirement Law of 1937 ('1937 Act'). Ms. Bach explained that the court recently ruled that the names, positions and salary levels of retirees who were currently working for the County had to be disclosed to the Bee. Ms. Bach noted, however, that the court had been more restrictive regarding disclosure of retirement benefit information, ruling that for the group in question the retiree's position at retirement and retirement benefit amount must be disclosed, but that no names would be included with the information. Mr. Stensrud noted that although the court did not place as much weight as SCERS would like on the confidentiality provisions of the 1937 Act, the ruling did provide some confidentiality protection by refusing to link names with benefit amounts. Discussion followed. No action was taken.

Mr. Stensrud provided an update on pension reform developments, including a report on recent legislative hearings on the matter. Mr. Stensrud noted that the actuaries were reporting that there will be a significant cost impact on defined benefit ('DB') plans if they are closed to new employees. Mr. Stensrud explained that the costs of the plan would increase substantially and remain higher than current cost levels for several years due to the changes that would be necessary in the investment program and changes that would be necessary in addressing the unfunded liability. Mr. Stensrud noted that the actuaries were reporting that when the higher costs of the DB plan are combined with the costs of the new defined contribution plan, the overall cost will be higher than under the current plan and will remain higher for ten to twenty years. Extensive discussion followed, with Board members noting that this information would be very important for all SCERS stakeholders in assessing the merits and impact of switching to defined contribution ('DC') plans. Mr. Stensrud stated that he would contact SCERS actuary about obtaining SCERS-specific information on the issues.

Mr. Stensrud reported that SACRS would be conducting an educational program on DB and DC plans on February 23<sup>rd</sup> in Sacramento, and encouraged everyone to attend. Mr. Stensrud also reminded the Board that the CALAPRS General Assembly would be held at the end of February and there would be extensive discussion of pension reform issues at the conference.

Mr. Stensrud noted that the annual financial disclosure forms had been distributed to Board members and would need to be completed and returned to SCERS no later than March 31, 2005.

**ADMINISTRATIVE MATTERS: (continued)**

9. Chief Operations Officer Kathryn Regalia presented the Semi-Annual Expense Report and Mr. Woods moved that the report be received and filed; Seconded by Mr. Hickox. Motion carried (7-0).

**INVESTMENT MATTERS:**

10. Chief Investment Officer Jeff States reported on the Investment Performance and Asset Allocation Report for the period ending December 31, 2004 prepared by Mercer Investment Consulting. He noted that the fund had a return of 9.9% net of investment manager fees. Mr. States noted that this is the second year that the investment returns were above the actuarial assumed rate following a three year period of negative returns. Mr. Hickox asked whether consideration had been given to developing or finding an alternative performance benchmark for the real estate investment since the NCREIF index includes several property types in which SCERS does not invest. Mr. States indicated that he would discuss this with Mercer and report back in March when he and Mercer would be presenting a report on real estate investment options. The report was received and filed on a Motion by Mr. Kelly; Seconded by Mr. Hickox. Motion carried (8-0).
11. Mr. Hickox moved for the adoption of SCERS Resolution No. 2005-02 authorizing the Board President to sign the Investment Management Agreement with INVESCO, Inc. to manage an international equity portfolio benchmarked against the MSCI EAFE Index; Seconded by Mr. Woods. Motion carried (8-0).
12. Upon the recommendation of the CIO, the Board approved the extension of the term of the Investment Management Agreement with Capital Guardian Trust Company for the International Equity Emerging Markets Growth Portfolio to December 31, 2005 on a Motion by Mr. Hickox; Seconded by Mr. Kelly. Motion carried (8-0).
13. Upon the recommendation of the CIO, the Board approved the amendment to the investment guidelines in the Investment Management Agreement with Pzena Investment Management to lower the minimum capitalization requirement for companies in which they were permitted to invest on a Motion by Mr. DeVore; Seconded by Mr. Kelly. Motion carried (8-0).
14. On a Motion by Mr. Woods; Seconded by Mr. Hickox; the report from Nossaman, Guthner, Knox & Elliot, LLP on fees paid for their legal services in 2004 was received and filed. Motion carried (8-0).
15. The Monthly Investment Management Compliance and Activity Report for January 2005 was received and filed on a Motion made by Mr. Woods; Seconded by Mr. Hickox. Motion carried (8-0).

The meeting was adjourned at 2:47 p.m.

**MEMBERS PRESENT:** Ronald Suter, 1<sup>st</sup> Vice-President; John B. Kelly, 2<sup>nd</sup> Vice-President; Mark Norris, Treasurer; Members William Cox, Keith DeVore, Winston Hickox, Steven Soto (arrived at 2:12) and Robert Woods.

**MEMBERS ABSENT:** James A. Diepenbrock, President; Members William Johnson, and Nancy Wolford-Landers.

**OTHERS PRESENT:** Richard Stensrud, Chief Executive Officer; Jeffrey W. States, Chief Investment Officer; Kathryn Regalia, Chief Operations Officer, John Gobel, Sr., Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Michele Bach, Deputy County Counsel; Diana Ruiz, Deputy County Counsel; George Appel; Judith Lloyd, Disability Applicant and Mr. Kaplan, Ms. Lloyd's attorney; Joe Maclean, Disability Applicant and Ms. Rickards, Mr. Maclean's attorney; George Madrial, Disability Applicant; and Virginia Hayes, Executive Secretary.

Respectfully submitted,

SACRAMENTO COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

RICHARD STENSRUD,  
Chief Executive Officer

APPROVED: \_\_\_\_\_  
JAMES A. DIEPENBROCK, President

DATE: \_\_\_\_\_

cc: Retirement Board (11); Clerk, Board of Supervisors (6); County Counsel (2); County Executive; Employee Organizations (21); Sacramento County Retired Employees' Association; SCERS Member Districts (11); and The Sacramento Bee.