



Executive Staff:

Richard Stensrud  
Chief Executive Officer

Jeffrey W. States  
Chief Investment Officer

James G. Line  
General Counsel

Kathryn T. Regalia  
Chief Operations Officer

John W. Gobel, Sr.  
Chief Benefits Officer

Members of the Board of Retirement

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

Keith DeVore, 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

Dave Irish, Director of Finance  
Ex-Officio

Winston H. Hickox  
Appointed by the Board of Supervisors

Alice Jarboe  
Elected by Miscellaneous Members

William D. Johnson  
Elected by Safety Members

Nancy Wolford-Landers  
Elected by Retired Members

Robert Woods  
Appointed by the Board of Supervisors

John Conneally  
Elected by Safety Members

William Cox  
Elected by Retired Members

## MINUTES

### RETIREMENT BOARD MEETING, THURSDAY, FEBRUARY 21, 2008

The regular meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 18<sup>th</sup> Floor, Sacramento, California, on Thursday, February 21, 2008, commencing at 1:00 p.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. The Minutes of the December 20, 2007 regular meeting and January 17, 2008 regular meeting were approved on Motion made by Mr. Irish; Seconded by Mr. Woods. Motion carried (7-0).

#### CLOSED SESSION:

##### DISABILITY MATTERS:

3. DOSTY, Linda J.: Motion by Mr. Cox to grant a non-service connected disability; Seconded by Ms. Jarboe. Motion carried (7-0).
4. MCINTURF, Melody L.: Motion by Mr. Irish to convert a previous interim non-service connected disability to a regular non-service connected disability; Seconded by Ms. Jarboe. Motion carried (7-0).

**DISABILITY MATTERS (continued):**

5. RUNKE, Toni D.: Motion by Mr. Kelly to deny a non-service connected disability; Seconded by Mr. Cox. Motion carried (7-0).
6. TAYLOR, Linda D.: Motion by Mr. Kelly to grant a service connected disability; Seconded by Mr. Irish. Motion carried (7-0).

**LEGAL MATTERS:**

7. **CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**  
Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9: 1 case  
  
Motion by Ms. Jarboe to approve the engagement of counsel; Seconded by Mr. Woods.  
Motion carried (7-0).

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

8. Chief Executive Officer Richard Stensrud provided an update on developments affecting public retirement systems and on miscellaneous system and staff activities.

Mr. Stensrud and Chief Investment Officer Jeffrey States reported on the investment manager due diligence visits they had recently conducted in New York. Mr. Stensrud reported that a full write up of the visits would be included in the March Investment Manager Compliance Report.

Mr. Stensrud also reported on the program on actuarial disclosure issues that he attended in New York, and provided a summary of how the matters under consideration could adversely impact public retirement systems.

Mr. Stensrud reminded the Board that the submission date for the annual Form 700 Statement of Economic Interests was March 31<sup>st</sup>.

Mr. Stensrud reported that retirement planning seminars for 'early career stage' members would be held in March and September, and that seminars for 'late career stage' members would be conducted in June and December. Mr. Stensrud also reported that a new program was being developed that would be designed to assist members who have attended the 'late career stage' seminar to complete the recommended 'to do' list items identified in the seminar before retirement.

Mr. Stensrud reported that he, Mr. States and Tom Lightvoet of Mercer Investment Consulting would be interviewing candidates being considered for a commodities investment

**ADMINISTRATIVE MATTERS (continued):**

management assignment and that recommendations for the assignment would be brought to the Board in March.

Mr. Stensrud reported that staff had begun exploring options and considerations with respect to the leasing of SCERS' office space.

9. Chief Executive Officer Richard Stensrud presented information regarding the proposed cost-of-living adjustment (COLA), effective April 1, 2008, for SCERS' retirement allowance payments. Mr. Stensrud explained that the proposed COLA had been calculated in accordance with the requirements of the 1937 Act and the methodology historically utilized by SCERS. Mr. Stensrud reported that this analysis produced a recommended base COLA of 3.5%, but that the actual COLA a person would receive would be dependent on the person's retirement tier and date of retirement, including consideration of whether the person had any accumulated carry-over in his/her 'COLA Bank.' Mr. Stensrud also noted information describing how the COLA was calculated would be placed on the SCERS website.

Motion by Mr. Kelly to approve the proposed COLA, effective April 1, 2008 for SCERS' retirement allowance payments; Seconded by Mr. Woods. Motion carried (7-0).

10. Chief Executive Officer Richard Stensrud made a presentation on the methodology recommended by The Segal Company for determining the cost to be paid by Miscellaneous Tier 2 members who recently elected to convert to Miscellaneous Tier 3 if they wish to upgrade their prior Miscellaneous Tier 2 service credit to Miscellaneous Tier 3 status.

Mr. Stensrud outlined the key elements of the pricing methodology, and noted that: (a) The actuary believes the methodology will meet the requirement that the upgrade be 'cost neutral' to the retirement system; (b) The actuary and staff believe that the methodology will be both a time and cost effective method for developing what could be a large number of cost estimates; and (c) The recommended methodology has been 'road tested' in that it is very similar to the methodology used in connection with a previous 'Probation to Safety' service conversion.

Motion by Mr. Woods to adopt the methodology recommended by The Segal Company for determining the cost to upgrade the service credit; Seconded by Mr. Kelly. Motion carried (7-0).

**INVESTMENT MATTERS:**

11. Tom Lightvoet of Mercer Investment Consulting presented the Investment Performance Report for the Quarter Ended December 31, 2007.

Mr. Lightvoet reported that SCERS had an investment return of -0.8% for the quarter and a return of 8.4%, net of fees, for calendar year 2007. Mr. Lightvoet reviewed the economic and financial market environment in the fourth quarter and reported that the

**INVESTMENT MATTERS (continued):**

primary factors affecting the markets during the quarter were the growing concerns about an economic slowdown due to the large decline in residential construction along with the problems in the financial services sector related to sub-prime mortgages. Mr. Lightvoet reported that negative to weak investment performance was expected to continue into 2008.

Mr. Lightvoet noted that on a risk-return basis, SCERS' returns over the three year period were better than the median public fund. Mr. Lightvoet and Chief Investment Officer Jeffrey States noted that with the changes being implemented to the asset allocation model and the investment manager structure, SCERS' risk-return profile should continue to improve.

Motion by Mr. Woods to receive and file the presentation materials; Seconded by Mr. Kelly. Motion carried (7-0).

12. Chief Investment Officer Jeffrey States presented the Monthly Investment Management Compliance Report for January 2008. Mr. States noted that pursuant to the provisions of the Investment Policy, Bear Stearns Asset Management and Pzena Investment Management were being placed on the Watch List.

Motion by Mr. Woods to receive and file the report; Seconded by Mr. Irish. Motion carried (7-0).

The meeting was adjourned at 2:40 p.m.

**MEMBERS PRESENT:** Keith DeVore; John Kelly; Dave Irish; Robert Woods; Alice Jarboe; William Cox; and John Conneally.

**MEMBERS ABSENT:** James A. Diepenbrock; Winston H. Hickox; Nancy Wolford-Landers; William D. Johnson.

**OTHERS PRESENT:** Richard Stensrud, Chief Executive Officer; Jeffrey States, Chief Investment Officer; James G. Line, General Counsel; Kathryn Regalia, Chief Operations Officer; John Gobel, Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Tom Lightvoet of Mercer Investment Consulting; and Jennifer Foster, Executive Assistant.

Respectfully submitted,

SACRAMENTO COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

Richard Stensrud  
Chief Executive Officer

APPROVED: \_\_\_\_\_  
James A. Diepenbrock, 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.