



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, 1st Vice President
Elected by Miscellaneous Members

John B. Kelly, 2nd 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, APRIL 17, 2008

The special meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 18th Floor, Sacramento, California, on Thursday, April 17, 2008, and commenced at 12:06 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the March 20, 2008 special meeting were approved on Motion made by Mr. Johnson; Seconded by Ms. Wolford-Landers. Motion carried (5-0).

CLOSED SESSION:

DISABILITY MATTERS:

3. TRAMONTINI, Rosalinda: Motion carried (5-0) to grant a non-service connected disability.
4. WAITE, Frank R.: Motion carried (5-0) to grant a service connected disability.

DISABILITY MATTERS (continued):

5. DULICS, Stephen J.: Motion carried (5-0) to grant a service connected disability.

LEGAL MATTERS:

6. The Board consulted with legal counsel regarding Eric Henrikson et al. v. Turbomeca, S.A., et al. (SCERS, Lien Claimant), U.S.D.C. for the Eastern District of CA, Case No. 2:06-cv-01563-WBS-DAD.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

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

For informational purposes, Mr. Stensrud provided the Board with monthly and quarterly data regarding the number of service retirements from 1999 through March 2008. Mr. Stensrud noted the normal monthly patterns regarding the number of retirements, as well as the various important events during the period that affected the data. Mr. Stensrud noted that based on the data, it appeared that retirement levels had returned to near normal levels after the sharp decrease and sharp increase in retirement activity associated with the adoption of benefit enhancements.

At Mr. Stensrud's request, Chief Operations Officer Kathryn Regalia reported that SCERS had received two responses to the Request for Proposals for Professional Auditing Services. Ms. Regalia reported that the evaluation committee would review the proposals and make a recommendation to the Board at the May Board Meeting.

Mr. Stensrud reported that he was preparing a response to correspondence from an out-of-state Safety retiree who inquired why SCERS would only deduct and pay health insurance premiums from monthly retirement benefits for retirees who participate in the health care program offered by Sacramento County. The retiree noted that due to this practice, he was not able to take advantage of the special federal tax exclusion available to qualified retired public safety officers. Mr. Stensrud outlined the various important reasons why SCERS allowed payroll deductions in only limited and easily verifiable situations. Mr. Stensrud also noted that payments made by deferred compensation plans could also be utilized for the federal tax exclusion. Mr. Stensrud noted that he would provide the Board with a copy of his response when it was completed.

At Mr. Stensrud's request, Chief Investment Officer Jeffrey States provided an update on the transition of assets from two recently terminated investment managers to the investment managers that replaced them. Mr. States reported that the transitions had been completed efficiently and successfully. Mr. States also reported on recent capital calls from the Hines

ADMINISTRATIVE MATTERS: (CONTINUED)

value-added real estate fund and the PIMCO distressed debt fund. Mr. States also noted that the Abbott private equity fund had closed and would be making a capital call shortly.

At Mr. Stensrud's request, General Counsel James Line provided a report on the recent Appellate Court decision in the case of Block v. Orange County Employees' Retirement System. Mr. Line noted that the case involved the reciprocity provisions of the 1937 Act and outlined the elements of the case. Mr. Line reminded the Board that SCERS had joined an Amicus brief in the case submitted by various 1937 Act retirement systems encouraging the Appellate Court to overturn the decision of the Trial Court which allowed the individual to receive retirement benefits totaling more than 100% of the individual's final compensation. Mr. Line reported that the Appellate Court agreed with the arguments made by the retirement systems and reversed the decision of the Trial Court. Mr. Line noted that in doing so, the Appellate Court stated that the reciprocity provisions of the 1937 Act were intended to prevent the impairment of retirement benefits payable to individuals with service in more than one system, and not to put such individuals in a better position than if all the person's service was under one system, in which case the benefits would have been capped at 100% of final compensation.

Mr. Stensrud presented a report on pending state legislative proposals that would or could impact public retirement systems such as SCERS.

At Mr. Stensrud's request, Chief Investment Officer Jeffrey States reported to the Board on a recent personnel change at INTECH, one of SCERS' investment managers. Mr. States reported that it did not appear that the change would have an adverse impact on SCERS' portfolio.

8. Chief Operations Officer Kathryn Regalia introduced Mr. Paul Hight of the County Risk and Loss Control Office. Mr. Hight presented information on and a recommendation regarding the renewal of SCERS' fiduciary liability insurance coverage provided through the St. Paul Travelers Insurance Company effective May 1, 2008 to May 1, 2009 and brokered by Alliant Insurance Services. Mr. Hight also recommended that each individual Board Member and designated staff be included in the waiver of recourse endorsement for such coverage.

Motion by Ms. Jarboe to renew SCERS' fiduciary liability insurance coverage through the St. Paul Travelers Insurance Company; Seconded by Mr. Irish. Motion carried (6-0).

9. Chief Executive Officer Richard Stensrud provided the Board with information regarding the items that would be presented for a vote by the membership at the State Association of County Retirement Systems (SACRS) Spring Conference. Discussion followed.

Motion by Ms. Wolford-Landers to support the proposed changes to the SACRS Bylaws and SACRS Board Travel Policy; Seconded by Mr. Hickox. Motion carried (6-0).

ADMINISTRATIVE MATTERS: (CONTINUED)

Motion by Mr. Irish to support the candidates for the SACRS Board of Directors as proposed by the SACRS Nominating Committee; Seconded by Ms. Wolford-Landers. Motion carried (6-0).

Motion by Mr. Irish to have Chief Executive Officer Richard Stensrud vote on behalf of SCERS on matters presented for a vote of the SACRS membership, and to (a) vote in accordance with the positions adopted by the SCERS Board; (b) vote on any matters that have not been specifically addressed by the SCERS Board in a manner consistent with positions previously expressed by the SCERS Board; and (c) abstain from voting on any matters the SCERS Board has not previously addressed and upon which the SCERS Board has not shown a strong consensus. Motion Seconded by Ms. Wolford-Landers. Motion carried (6-0).

INVESTMENT MATTERS:

10. Tom Lightvoet of Mercer Investment Consulting and Chief Investment Officer Jeffrey States provided an overview of the search for and candidates being considered for two U.S. Equity Large Cap Enhanced Index investment management assignments.

Presentations were made by the following investment management firms:

- BlackRock, Inc. – Dan McLaughlin, Managing Director and Richard Vella, Managing Director for the Quantitative Investment Business.
- INTECH – Betsy Flavin, Executive Director, Public Funds and James McHugh, Senior Vice President, Portfolio Management Group.
- Westridge Capital Management – James Carder, Partner, Portfolio Manager, Westridge Capital and Paul Greenwood, Partner, Portfolio Manager, WG Trading.

The firms described their respective: (a) organizations, resources and investment teams; (b) investment models and process; (c) performance track records; and (d) proposed fee arrangement.

Discussed followed regarding the similarities and differences between the investment process and philosophy of the firms. Discussion included consideration of: (a) the source of the beta and the alpha returns for the strategies; (b) the security selection methodology; (c) the number of stocks owned in the portfolio; (d) portfolio turnover and trading costs; (e) the expected performance in different economic environments and stages of the business cycle; (f) the upside and downside capture related to the benchmark; and (g) correlation of returns between the strategies.

Motion by Ms. Wolford-Landers to receive and file the presentation materials and to select BlackRock, Inc. and Westridge Capital Management for the assignments; Seconded by Mr. Irish. Motion carried (6-0).

INVESTMENT MATTERS: (CONTINUED)

11. Chief Investment Officer Jeffrey States and General Counsel James Line presented information regarding the terms and documents formalizing the commodities investment management engagement with Lehman Brothers Asset Management. Discussion followed.

Motion by Mr. Hickox to adopt Resolution No. SCERS 2008-11 authorizing the Board President to execute the necessary documents to formalize the engagement; Seconded by Mr. Johnson. Motion carried (6-0).

12. Chief Investment Officer Jeffrey States and General Counsel James Line presented information regarding the terms and documents formalizing the commodities investment management engagement with Blackstone Alternative Asset Management, L.P. Mr. States and Mr. Line noted that notwithstanding extensive discussions with Blackstone, they remained concerned that the firm's contractual commitment to provide annual independent audit reports regarding the fund was not as solid as they would have liked. Discussion followed and it was the consensus of the Board that a solid commitment to provide annual independent audit information for the fund was critical. Accordingly, the Board requested that staff conduct further negotiations with Blackstone in an effort to enhance the contractual commitment to provide such information and to advise the Board if they believed the requisite level of commitment had been achieved.

Motion by Ms. Wolford-Landers to adopt Resolution No. SCERS 2008-10 authorizing the Board President to execute the necessary documents to formalize the engagement, contingent on staff reporting that they believed that a sufficient commitment to provide annual independent audit reports for the fund had been established; Seconded by Mr. Hickox. Motion carried (6-0).

13. Chief Investment Officer Jeffrey States presented the Monthly Investment Management Compliance Report for March 2008. Mr. States noted that pursuant to the provisions of the Investment Policy, Bear Stearns Asset Management and Pzena Investment Management would remain on the Watch List.

Motion by Mr. Irish to receive and file the report; Seconded by Ms. Jarboe. Motion carried (6-0).

The meeting was adjourned at 4:20 p.m.

MEMBERS PRESENT: Keith DeVore; Winston H. Hickox (arrived at 12:15 p.m.); Dave Irish; Alice Jarboe; William D. Johnson; and Nancy Wolford-Landers.

MEMBERS ABSENT: James A. Diepenbrock, John Kelly, Robert Woods, John Conneally, and William Cox.

OTHERS PRESENT: 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; Suzanne Likarich, Retirement Services Manager;

Jennifer Foster, Executive Assistant, Julie Rucker, Personnel Specialist 2; Diana Ruiz, Deputy County Counsel; Claire Van Dam, Deputy County Counsel; Stephen J. Dulics, Member; Chanel R. Brown, Attorney for Member; Paul Hight and Kris Usery, County Risk Management; Gerry Brunn, Esq., Brunn & Flynn; Richard J. Vella and Dan McLaughlin, BlackRock; Betsy Flavin and Jim McHugh, INTECH; James Carder and Paul Greenwood, Westridge; and Tom Lightvoet of Mercer Investment Consulting.

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.