



Executive Staff:

Richard Stensrud
Chief Executive 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, First Vice President
Elected by Miscellaneous Members

John B. Kelly, Second Vice President
Appointed by the Board of Supervisors

Julie Valverde, Ex Officio
Director of Finance

Winston H. Hickox
Appointed by the Board of Supervisors

William D. Johnson
Elected by Safety Members

Kathy O'Neil
Elected by Miscellaneous Members

Nancy Wolford-Landers
Elected by Retired Members

Robert L. Woods
Appointed by the Board of Supervisors

John Conneally
Elected by Safety Members

William Cox
Elected by Retired Members

MINUTES

RETIREMENT BOARD MEETING, THURSDAY, JULY 15, 2010

The regular 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, July 15, 2010, and commenced at 1:00 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. Board President James A. Diepenbrock recognized the birth of new children for Board Member John Conneally and Investment Officer Scott Chan.
2. Chief Executive Officer Richard Stensrud invited nominations for the positions of SCERS Board Officers for Fiscal Year 2010-2011. Motion by Mr. Hickox that the current Board Officers (James A. Diepenbrock, President; Keith DeVore, 1st Vice President; John B. Kelly, 2nd Vice President) be nominated to serve in their same offices for the 2010-2011 Fiscal Year; Seconded by Mr. Woods. Motion carried (9-0).

MINUTES:

3. The Minutes of the June 17, 2010 special meeting were approved on a Motion by Mr. Johnson; Seconded by Ms. Wolford-Landers. Motion carried (9-0).

CONSENT MATTERS:

Items 4-10

The Consent matters were acted upon as one unit upon a Motion by Mr. Woods; Seconded by Mr. Johnson. Motion carried (9-0).

4. PIERCE, Mary Lou: Granted a nonservice-connected disability retirement.
5. SCHRADER, Gene R.: Granted a nonservice-connected disability retirement.
6. Approved a request by the Sacramento Metropolitan Fire District to pre-pay its employer retirement contributions for the 2010-2011 Fiscal Year.
7. Approved a request by the Superior Court, County of Sacramento to pre-pay its annual employer retirement contributions for the 2010-2011 Fiscal Year.
8. Approved a request by the County of Sacramento to pre-pay its annual employer retirement contributions for the 2010-2011 Fiscal Year.
9. Received and filed the June 2010 Monthly Investment Manager Compliance Report and Watch List.
10. Denied the Application for Leave to Present a Late Claim filed by Irene Koulikov.

CLOSED SESSION:

LEGAL MATTERS:

11. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
Sacramento Bee vs. SCERS
Superior Court of Sacramento County, Case No. 34-2010-80000514

The Board authorized the filing of a Petition for Writ of Mandate and Request for Stay (with Ms. O'Neil dissenting).

12. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Initiation of Litigation pursuant to Government Code Section 54956.9(c)
1 case

The Board authorized the engagement of Bernstein Litowitz Berger & Grossmann LLP to file a petition on behalf of SCERS to be appointed as Lead Plaintiff in a securities class action lawsuit against British Petroleum.

13. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
Irene Koulikov vs. County of Sacramento, et al
Superior Court of Sacramento County, Case No. 34-2009-00059198

The Board consulted with counsel.

14. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
Securities and Exchange Commission vs. WG Trading Investors, L.P., et al
U.S. District Court, Southern District of N.Y., Case No. 09CIV 1750

The Board consulted with counsel.

15. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
SC East Campus, Inc. vs. Weyerhaeuser Company
Superior Court of Washington in and for King County, Case No. 08-14127-6 KNT

The Board consulted with counsel.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

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

Mr. Stensrud noted that SCERS would be conducting a retirement planning seminar on July 16 for late-career employees.

Mr. Stensrud reported that a board election was coming up for the Miscellaneous Board Member seat currently held by Mr. DeVore, the Retiree Board Member seat currently held by Ms. Wolford-Landers, and the Alternate Retiree Board Member seat currently held by Mr. Cox. Mr. Stensrud reported that the nomination period for candidates would be from August 9 through August 20, and the election period would be from September 20 through October 1.

Mr. Stensrud reported that the search for space for SCERS' administrative offices is still underway. Mr. Stensrud noted that the subcommittee which was formed to oversee the search process would be receiving a report on the current status of the search.

Mr. Stensrud reported that the Governmental Accounting Standards Board (GASB) had released provisional rule changes impacting financial reporting requirements regarding public employee pension plans. Mr. Stensrud noted that he was in the process of assembling information to help provide clarification and guidance.

Mr. Stensrud reported that State Street has announced prospective changes regarding its securities lending program. Mr. Stensrud noted that these changes are being monitored and that discussions have taken place with State Street. Mr. Stensrud also reported that further discussions are planned with Mercer and the Mercer Sentinel Group on the subject. Mr. Stensrud reported that he anticipates an update on the situation in the next couple of months, which will include consideration of potential options regarding the securities lending program.

Mr. Stensrud provided an update on legislation of interest, including AB 1987 (anti-spiking) and AB 609 (administrative cost cap). Mr. Stensrud noted that the State Association of County Retirement Systems (SACRS) has been engaged with legislative staff in an effort to try to get SACRS' concerns regarding the bills addressed.

17. Chief Executive Officer Richard Stensrud presented a recommendation to increase the level of the Chief Executive Officer's contract authority.

Mr. Stensrud explained the rationale for and history of the existing contract authorization of \$25,000, noting that it had not been updated since 2001. Mr. Stensrud noted that since that time the scope of SCERS' operations had expanded substantially and that the cost of goods and services had increased. Accordingly, Mr. Stensrud recommended that the contract authority be increased from \$25,000 per contract per fiscal year to \$50,000 per contract per fiscal year. Additionally, Mr. Stensrud recommended an increase in the contract authority to \$100,000 per contract per fiscal year with written approval of the Board President. Mr. Stensrud noted that the recommended contract authority was consistent with the contract authority provided to comparable County department or agency heads. Mr. Stensrud also explained that the recommended changes would allow SCERS to act quickly in order to preserve, protect or advance SCERS' assets and interests. Finally, Mr. Stensrud noted that the contract authority would not alter existing policies and practices regarding contract decisions that must be made by the SCERS Board.

Motion by Mr. DeVore to adopt Resolution No. SCERS 2010-12 increasing the level of the Chief Executive Officer's contract authority; Seconded by Mr. Hickox. Motion carried (9-0).

INVESTMENT MATTERS:

18. Paul M. Ross and Dr. Ormala Krishnan of Mondrian Investment Partners, gave a presentation regarding the firm's qualifications for management of an international developed markets small cap equity investment portfolio. Mondrian had been recommended for the engagement by SCERS Staff and Mercer Investment Consulting as a result of a manager search and evaluation process that included in depth analysis and lengthy interviews of multiple investment manager candidates.

Mr. Ross and Dr. Krishnan presented information regarding: (a) the firm; (b) the investment team; (c) their investment philosophy and strategy for developing an international small cap equity portfolio; (d) the attributes of the resulting portfolio; and (e) their performance history.

SCERS Investment Officer Steve Davis noted that Staff and Mercer were impressed with (a) Mondrian's organizational stability; (b) the depth of the investment team; (c) their

disciplined, fundamental-based investment process; (d) their consistent value orientation; and (e) the downside risk protection from their strategy. Mr. Davis also noted that Mondrian would be a good complement to William Blair & Company, the other manager in the international developed market small cap equity space.

Discussion followed, with the Board noting that they believed the search and evaluation process for the proposed engagement, which had been recently approved by the Board, had worked very well.

Motion by Mr. Woods to receive and file the presentation materials and to approve the engagement of Mondrian Investment Partners to manage an international developed markets small cap equity investment portfolio; Seconded by Ms. Wolford-Landers. Motion carried (9-0).

The meeting was adjourned at 3:00 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Keith DeVore (arrived at 1:03 p.m.), John B. Kelly, Julie Valverde, Winston H. Hickox, William D. Johnson, Kathy O’Neil, Nancy Wolford-Landers (arrived at 1:04 p.m.), Robert L. Woods, John Conneally, and William Cox.

MEMBERS ABSENT: None.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; James G. Line, General Counsel; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Scott Chan, Investment Officer; Steve Davis, Investment Officer; Julie Rucker, Senior Personnel Specialist; John Kennedy, Nossaman LLP; Tom Lightvoet and Diana Greenstone, Mercer Investment Consulting; Paul M. Ross and Dr. Ormala Krishnan, Mondrian Investment Partners.

Respectfully submitted,

Richard Stensrud
Chief Executive Officer and
Secretary of the Retirement Board

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.