



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, NOVEMBER 18, 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, November 18, 2010, and commenced at 1:02 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the November 17, 2009 special meeting, December 17, 2009, January 21, 2010, and March 18, 2010 regular meetings, and the April 15, 2010 special meeting were approved on Motion by Mr. Woods; Seconded by Mr. Kelly. Motion carried (8-0).

CONSENT MATTERS:

Items 3-10

Items 4, 6, and 8 were taken off the Consent Calendar for discussion. The remaining Consent matters (Items 3, 5, 7, 9, and 10) were acted upon as one unit upon a Motion by Mr. Johnson; Seconded by Ms. Wolford-Landers. Motion carried (8-0).

3. Aterrado, Edwin O.: Granted a nonservice-connected disability retirement.

CONSENT MATTERS (continued):

4. Gant, Effie E.: Moved to the Closed Session, Disability Matters.
5. Mitchell, Daniel E.: Granted a service-connected disability retirement.
6. McKnight, Dana: Moved to the Closed Session, Disability Matters.
7. Approved request to grant Chief Executive Officer the authority to execute all necessary documents and agreements to secure and build-out SCERS' administrative office space.
8. Deliberation and action on the proposed financing of a property in the real estate portfolio managed by BlackRock Real Estate Advisors. Moved to Open Session, Investment Matters.
9. Received and filed the Selected Fees and Costs for Outside Legal Services for the quarter ended September 30, 2010.
10. Received and filed the October 2010 Monthly Investment Manager Compliance Report and Watch List.

CLOSED SESSION:

LEGAL MATTERS:

4. Moved from Consent Matters at the recommendation of Chief Executive Officer Richard Stensrud.
Gant, Effie E.: Granted a service-connected disability retirement. Motion carried (9-0).
6. Moved from Consent Matters at the recommendation of Chief Executive Officer Richard Stensrud.
McKnight, Dana: Adopted recommendation of the Administrative Law Judge to deny the application for service-connected disability retirement. Motion carried (9-0).
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 consulted with counsel.

LEGAL MATTERS (continued):

12. 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.

13. 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.

14. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: Investment Officer
Government Code Section 54957

The Board discussed employee performance evaluation issues.

15. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Property: 980 9th Street, 19th Floor, Sacramento, CA
Negotiators: Cushman & Wakefield (Chris Strain, Scott Kingston) and/or Nossaman LLP (Danielle Gensch, David Kimport)
Negotiating Party: CIM Group
Under Negotiation: Terms and Conditions of SCERS Office Lease
Government Code Section 54956.8

The Board had a conference about real property lease negotiations and provided further instructions to the negotiators.

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 the December Board Meeting would be the last meeting for Mr. DeVore and Mr. Cox.

Mr. Stensrud reported that the Independent Auditor's Report, the Comprehensive Annual Financial Report (CAFR), and the proposed interest crediting rate for member contribution accounts would be presented at the December Board Meeting.

ADMINISTRATIVE MATTERS (continued):

Mr. Stensrud reported that finalists for the alternative assets consultants will be presented at the January Board Meeting. Mr. Stensrud stated that this would allow Staff more time to properly review the candidates.

Mr. Stensrud reported that The Segal Company would shortly begin conducting the triennial experience study and that a preliminary report from the experience study is expected early in 2011. Mr. Stensrud noted that once the experience study was complete, an actuarial audit would be performed.

Mr. Stensrud reported that SCERS has fully redeemed the funds from European Credit Management, and that the assets had been deployed via the overlay program.

Mr. Stensrud reported that he and some Board Members had recently attended the State Association of County Retirement Systems (SACRS) Fall Conference. Mr. Johnson, Mr. DeVore, and Mr. Woods all commented that the conference was beneficial.

Mr. Stensrud reported that the Sacramento County Board of Supervisors recently approved the resolution to provide health care subsidies from the remaining funds in the 401(h) plan.

Mr. Stensrud noted that Mr. DeVore had requested an update on the projected retiree Cost Of Living Adjustment (COLA) for April 2011. Mr. Stensrud noted that the Consumer Price Index (CPI) on which the COLA is based will not be released until January 2011. Mr. Stensrud noted, however, that it appeared the COLA was on track to be 1-1.5%.

17. In introducing the presentation of the SCERS Actuarial Valuation as of June 30, 2010, Chief Executive Officer Richard Stensrud reported that this year there was approximately \$77 million in unallocated earnings due to an anomaly in the smoothing methodology used in preparing the actuarial valuation. Mr. Stensrud recommended that the Board apply the one-time, \$77 million in unallocated earnings to the Contingency Reserve. Mr. Stensrud noted that this recommendation would allow the Board to draw upon the Contingency Reserve to help mitigate the expected increase in employer cost in FY 2012-2013.

Motion by Mr. Woods to apply the \$77 million in unallocated earnings to the Contingency Reserve; Seconded by Ms. Wolford-Landers. Motion carried (9-0).

Andy Yeung of The Segal Company presented the SCERS Actuarial Valuation as of June 30, 2010. Mr. Yeung outlined the key assumptions and methodology used in preparing the valuation. Mr. Yeung noted that the substantial investment market losses attributable to the market collapse in FY 2008-2009 are expected to push upward on employer contribution rates unless/until there is investment experience sufficient to mitigate/negate those losses. Mr. Yeung noted, however, that due to a unique combination of events, the employer contribution rates would decline slightly in the 2011-2012 fiscal year.

ADMINISTRATIVE MATTERS (continued):

Mr. Yeung explained that one reason for the decrease in the employer contribution rate in 2011-2012 is 'enduring' in nature: (1) Ongoing employer cost savings due to new labor agreements with various bargaining units under which the employees will pay a larger share of the normal cost; and (2) Increasing the amortization period for paying off the UAAL to twenty-five years.

Mr. Yeung explained that a second reason for the decrease in the employer contribution rate in 2011-2012 is due to the annual experience adjustment as of June 30, 2010: (1) A lower level of individual salary increases than assumed; (2) Lower cost-of-living adjustments (COLA) for retirees than assumed; and (3) Demographic changes and other actuarial gains.

Mr. Yeung explained that as a result of these factors, the employer contribution rate would be reduced from 22.34% to 21.87%. Mr. Yeung further noted, however, that the employer cost was expected to resume its upward climb in the 2012-2013 fiscal year. Mr. Stensrud echoed Mr. Yeung's comments regarding expected future costs and provided information illustrating the level of short term investment performance that would be needed to prevent an increase in employer cost in the next few years.

Motion by Ms. Wolford-Landers to receive and file the presentation of the SCERS Actuarial Valuation as of June 30, 2010 by The Segal Company; Seconded by Mr. Johnson. Motion carried (9-0).

Motion by Mr. DeVore to adopt the recommendation by The Segal Company for the FY 2011-2012 employer and employee contribution rates; Seconded by Mr. Woods. Motion carried (9-0).

18. Chief Executive Officer provided an update on SCERS' administrative office space. Mr. Stensrud presented the proposed floor plan of the new space, examples of furniture choices, and samples of carpet and colors. Mr. Stensrud reviewed the layout of the proposed floor plan and noted that the new space would provide more member counseling areas.

INVESTMENT MATTERS:

8. Moved from Consent Matters at the request of Mr. DeVore.

Investment Officer Scott Chan outlined the proposed financing for a property in the real estate portfolio managed by BlackRock Real Estate Advisors. Mr. DeVore asked Staff what was planned after the proposed five year loan expired. Mr. Chan reported that at the end of the five year period, the loan would either need to be paid off or refinanced.

Motion by Mr. DeVore to approve the proposed financing of a property in the real estate portfolio managed by BlackRock Real Estate Advisors; Seconded by Mr. Kelly. Motion carried (9-0).

INVESTMENT MATTERS (continued):

19. Diana Greenstone and Tom Lightvoet of Mercer Investment Consulting presented the Investment Performance Report for the Quarter Ended September 30, 2010.

Ms. Greenstone provided a brief capital market overview and a summary of the total fund. Ms. Greenstone noted that while the economic picture remained mixed, investment performance for the quarter was strong. Ms. Greenstone stated that equity markets were up more than 11% and that there were positive returns across all sectors. Ms. Greenstone noted that within fixed income, bonds returned 2.5% for the quarter.

Mr. Lightvoet reported that the total plan performance, including the impact of the overlay program, was 9.0%. Mr. Lightvoet stated that this placed the one year return at 9.4% and the three year return at -0.9%. Mr. Lightvoet noted that without the overlay program, the three year return would be -3.2%, meaning that the overlay program has been providing a benefit to the total plan performance.

Mr. Lightvoet commented on performance and other developments at various investment managers, and recommended that MetWest be removed from the Watch List.

Motion by Mr. Woods to receive and file the quarterly performance report and remove MetWest from the watch list; Seconded by Mr. Kelly. Motion carried (9-0)

20. Motion by Mr. Kelly to provide additional capital to SC East, Inc. to cover anticipated legal service costs related to a former real estate asset managed by BlackRock Real Estate Advisors; Seconded by Mr. Johnson. Motion carried (9-0).

The meeting was adjourned at 3:45 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Keith DeVore John B. Kelly, Julie Valverde, Winston H. Hickox, Kathy O'Neil, William D. Johnson, Nancy Wolford-Landers, 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; Thuyet Ziyalan, Accounting Manager; Scott Chan, Investment Officer; Steve Davis, Investment Officer; Julie Rucker, Senior Personnel Specialist; Diana Greenstone and Tom Lightvoet, Mercer Investment Consulting; Dana McKnight; Danielle Gensch, Nossaman LLP; Diana Ruiz, Deputy County Counsel; Andy Yeung, The Segal Company; Jesse S. Kaplan, Attorney at Law; and Patti Morais.

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.