



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

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

Julie Valverde, Ex Officio
Director of Finance

Diana Gin
Elected by the Miscellaneous Members

Winston H. Hickox
Appointed by the Board of Supervisors

William D. Johnson
Elected by the Safety Members

Kathy O'Neil
Elected by the Miscellaneous Members

Nancy Wolford-Landers
Elected by the Retired Members

Robert L. Woods
Appointed by the Board of Supervisors

John Conneally
Elected by the Safety Members

Michael DeBord
Elected by the Retired Members

MINUTES

RETIREMENT BOARD MEETING, THURSDAY, FEBRUARY 17, 2011

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, February 17, 2011, and commenced at 1:01 p.m.

OPEN SESSION:

Procedural Matters:

1. Due to the absence of the Board President and Vice President, a Board member was selected to preside over the meeting.

Motion by Ms. O'Neil to appoint Robert Woods as the presiding officer for the current Board meeting; Seconded by Ms. Wolford-Landers. Motion carried (6-0).

PUBLIC COMMENT:

2. None heard.

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3. The Minutes of the January 20, 2011 special meeting were approved on Motion by Ms. Wolford-Landers; Seconded by Ms. O'Neil. Motion carried (6-0).

CONSENT MATTERS:

Items 4-12

The Consent matters were acted upon as one unit upon a Motion by Mr. Johnson; Seconded by Ms. O’Neil. Motion carried (6-0).

4. FABER, Gregory L.: Granted a service-connected disability retirement.
5. KILLIAN, Marilyn H.: Granted a nonservice-connected disability retirement.
6. SOLDEN, Donna L.: Granted a service-connected disability retirement.
7. Approved the proposed cost-of-living adjustment (COLA) effective April 1, 2011 for SCERS’ monthly benefit payments.
8. Received and filed the Portfolio Re-Balancing Report for the Quarter Ended December 31, 2010.
9. Received and filed the Trading Cost Report for the Quarter Ended December 31, 2010.
10. Received and filed the Semi-Annual Administrative Expense Report for the six months ended December 31, 2010.
11. Received and filed the Selected Fees and Costs for Outside Legal Services for the Quarter Ended December 31, 2010.
12. Received and filed the January 2011 Monthly Investment Manager Compliance Report and Watch List.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

13. 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 Members had been provided with information on the upcoming California Association of Public Retirement Systems (CALAPRS) General Assembly that would take place in Monterey, March 5-8, 2011. Mr. Stensrud stated that Members could inform staff if they were interested in attending and that staff would assist with making arrangements.

Mr. Stensrud also noted that the State Association of County Retirement Systems (SACRS) spring conference would soon be taking place in Santa Barbara, May 10-13, 2011. Mr. Stensrud stated that Members could inform staff if they were interested in attending and that staff would assist with making arrangements.

Mr. Stensrud stated that a special Board Meeting would take place at 9:00 a.m. on Wednesday, February 23rd for the purpose of evaluating and selecting one of three finalists for the assignment of General Investment Consultant. Mr. Stensrud reported that the three finalists were Strategic Investment Solutions (SIS), New England Pension Consultants (NEPC), and Callan Associates.

Mr. Stensrud noted that the annual Form 700 Statement of Economic Interests had been provided to the Members. Mr. Stensrud stated that the deadline to file is March 31, 2011. Mr. Stensrud noted that General Counsel Jim Line was available for any questions regarding the form.

Mr. Stensrud provided an update on the work on the new administrative offices. Mr. Stensrud reported that the work was continuing on schedule and staff was preparing to move over the final weekend in February. Mr. Stensrud noted that active members and retirees would be alerted of the move.

Mr. Stensrud provided an update on money recovered from securities class action claims over recent fiscal years. Mr. Stensrud stated that in the fiscal year 2007-2008, almost \$1.3 million was received from settlements of securities class action claims. Mr. Stensrud reported that in the fiscal year 2008-2009, \$1.344 million was recovered and in the fiscal year 2009-2010, about \$1.2 million was recovered. Mr. Stensrud noted that he would continue to update the Board annually on this subject.

Mr. Stensrud reported on the ongoing federal investigation into possible insider trading by certain hedge funds. Mr. Stensrud stated that the investigation is focusing on the use of 'expert networks' for investment research. Mr. Stensrud reported that two funds that were on the roster of hedge funds utilized by SCERS' fund-of-fund managers had been mentioned in the course of the investigation but that neither fund was considered to be a target of the investigation. Mr. Stensrud noted that both of the fund-of-fund managers were watching developments closely and were considering withdrawing from the funds in question.

Mr. Stensrud reported on a proposal by the Securities Exchange Commission (SEC) which some believe will require appointed trustees to retirement boards to register with the SEC as municipal investment advisors. Mr. Stensrud stated that General Counsel Jim Line had recently participated in a teleconference with the Council of Institutional Investors, which also included a representative from the SEC. Mr. Line reported that while the SEC representative stated she did not speak for the SEC, she believes that the proposal was not intended for cover trustees generally, but rather those who are also filling a role as investment advisor. Mr. Stensrud stated that staff would update the Members with any developments.

Mr. Stensrud reported on various legislation that was being proposed regarding public pension plans. Mr. Stensrud stated that one piece of legislation that had already been introduced was along the lines of legislation from last year to address pension spiking. Mr. Stensrud also noted that the subject of placement agents might also be revisited in legislation.

INVESTMENT MATTERS:

14. Diana Greenstone of Mercer Investment Consulting presented the Investment Performance Report for the Quarter Ended December 31, 2010.

Ms. Greenstone provided an overview of the investment markets and the economy during the quarter ended December 31, 2010. Ms. Greenstone discussed the impact of GDP estimates, unemployment, retail sales, consumer confidence and the housing market. Ms. Greenstone also discussed the quantitative easing by the Federal Reserve and its impact on yields, and noted that inflation remained subdued.

Ms. Greenstone reported that, despite the mixed economic backdrop, the equity market saw really strong returns during the quarter. Ms. Greenstone noted that the S&P 500 rose nearly 11% for the quarter and 15% for the year. Ms. Greenstone also noted that small cap stocks were up 16% for the quarter and almost 27% for the year.

Ms. Greenstone reported that during the quarter and the year, growth stocks outperformed value stocks. Ms. Greenstone noted that fixed income returned 6.5% for the year. Ms. Greenstone stated that while international markets did have positive returns, the U.S. market outperformed the international markets.

Ms. Greenstone reported that the plan returned almost 6% for the quarter, which trailed the total fund benchmark of 6.8%, but outpaced other public funds. Ms. Greenstone noted that the plan returned 12.7% for the year, again trailing the benchmark of 13.5%, but also slightly ahead other public funds.

Ms. Greenstone reported that Wells Capital Management (U.S. Equity Large Cap Growth), which was added to the Watch List in June 2010, is being recommended for removal. The strategy was placed on the Watch List due to poor performance, but performance has improved significantly over the past two quarters.

Ms. Greenstone stated that the UBS Large Cap Equity Active Extension (130/30) strategy is being recommended to be placed on the Watch List due to personnel changes and continued underperformance.

Ms. Greenstone also reported that the Capital Guardian Emerging Markets Growth Equity strategy is being recommended to be placed on the Watch List due to performance. Ms. Greenstone noted that the strategy underperformed the MSCI Emerging Markets Investable Market Index benchmark over the quarter, fiscal YTD, calendar year 2010 and 3-year periods.

Motion by Ms. Wolford-Landers to receive and file the quarterly performance report; Seconded by Mr. Johnson. Motion carried (6-0).

The meeting was adjourned at 1:47 p.m.

MEMBERS PRESENT: Diana Gin, Winston H. Hickox, William D. Johnson, Kathy O'Neil, Nancy

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Wolford-Landers, Robert L. Woods, John Conneally, and Michael DeBord (arrived at 1:03 p.m.).

MEMBERS ABSENT: James A. Diepenbrock, John Kelly, and Julie Valverde.

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; John Lindley, IT Analyst; Diana Greenstone, Mercer Investment Consulting; Rose Mary and Fred Vaske.

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.