



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, First Vice President
Appointed by the Board of Supervisors

William D. Johnson, Second Vice President
Elected by the Safety Members

Diana Gin
Elected by the Miscellaneous Members

Winston H. Hickox
Appointed by the Board of Supervisors

Kathy O'Neil
Elected by the Miscellaneous Members

Julie Valverde
Ex Officio, Director of Finance

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, THURSDAY, JULY 21, 2011

A special meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 19th Floor, Sacramento, California, on Thursday, July 21, 2011, and commenced at 11:03 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.
2. Chief Executive Officer Richard Stensrud invited nominations for the positions of SCERS Board Officers for fiscal year 2011-2012. Motion by Ms. Wolford-Landers that the current Board Officers (James A. Diepenbrock, President and John B. Kelly, First Vice President) be nominated to serve in their same offices for the 2011-2012 fiscal year and that William D. Johnson be nominated as the Second Vice President for fiscal year 2011-2012; Seconded by Mr. Hickox. Motion carried (7-0).

MINUTES:

3. The Minutes of the June 16, 2011 special meeting were approved on Motion by Mr. Kelly; Seconded by Ms. Wolford-Landers. Motion carried (7-0).

CONSENT MATTERS:

Items 4-10, 12

The Consent matters were acted upon as one unit upon a Motion by Mr. Conneally; Seconded by Mr. Hickox. Motion carried (7-0).

4. Johnson, Robert D.: Granted a service-connected disability retirement.
5. Medd, Juana C.: Granted a service-connected disability retirement.
6. Siemantel, Lori R.: Granted a reciprocal service-connected disability retirement.
7. Young, Rose A.: Granted a service-connected disability retirement.
8. Approved the request by the Superior Court, County of Sacramento to prepay its employer retirement contributions for the 2011-2012 fiscal year.
9. Approved the request by the County of Sacramento to prepay its employer retirement contributions for the 2011-2012 fiscal year and the final reconciliation of employer contributions for the 2010-2011 fiscal year.
10. Approved the relocation expenses for the Deputy Chief Investment Officer (Assistant Retirement Administrator – Investments) position.
11. Item was moved to Open Session, Investment Matters.
12. Received and filed the June 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 reported that on Monday, July 25, SCERS would be conducting a retirement planning seminar for those members who were late in their careers. Mr. Stensrud stated that a large turnout was again expected.

ADMINISTRATIVE MATTERS (continued):

Mr. Stensrud reported that, while the final investment return numbers for the 2010-2011 fiscal year had not been finalized yet, Staff expects the return to be approximately 20%. Mr. Stensrud noted this return was in line with the recently announced returns for CalPERS and CalSTRS.

Mr. Stensrud reported that State Association of County Retirement Systems (SACRS) recently held its annual investment education program at UC Berkeley and that Board members Diana Gin and Michael DeBord attended. Ms. Gin noted that the program was very worthwhile and had excellent speakers.

Mr. Stensrud reported that the County of Sacramento had recently been negotiating with the various bargaining units to implement new retirement tiers for new hires. Mr. Stensrud noted that the new tier for Safety Members was 3% at age 55, in contrast to the current 3% at age 50, and that the new tier for Miscellaneous Members was 2% at age 60 ½ compared to the current 2% at age 55 ½. Mr. Stensrud stated that the negotiations had largely been completed, but that it would be several months before implementation.

Mr. Stensrud reported that the *Los Angeles Times* had filed public records act requests with virtually all California public retirement systems. Mr. Stensrud noted that the request was comparable to what had been requested by *The Sacramento Bee*, but that in some respects even more information was being requested. Mr. Stensrud stated that SCERS was talking with other 1937 Act Systems about how to respond to the request. Mr. Stensrud noted that due to the time and effort needed to construct the data that is not readily available, the 1937 Act Systems were determining what this work would cost. Mr. Stensrud stated that the 1937 Act Systems are allowed to charge the requesting party for the work done to construct the requested data, and therefore the *Los Angeles Times* will need to determine whether they are willing to pay for the data that is not readily available.

Mr. Stensrud reported that a bill to address potential pension spiking in the 1937 Act Systems has been reintroduced in the legislature. Mr. Stensrud noted that the bill has been modified by recommendation of SACRS in a way that would make the bill more workable for the 1937 Act Systems. Mr. Stensrud stated that he expects the bill to be adopted soon after the legislature returns from summer recess. Mr. Stensrud reported that the bill includes an enhanced role on the part of retirement systems in making the determination on whether a pay element is for the principal purpose of enhancing the employee's pension, and in such a case, the pay element is to be excluded for the purposes of calculating the pension benefit. Mr. Stensrud noted that the legislation includes some examples of an improper pay element under this standard. Mr. Stensrud stated that he does not believe SCERS will need an extensive number of new staff to enforce this legislation, but that a systematic way of reviewing the payroll data that SCERS receives will

ADMINISTRATIVE MATTERS (continued):

be crucial. Mr. Stensrud noted that a challenge under the legislation would be to not slow down the processing of retirement applications. Mr. Stensrud reported that SCERS has initiated a human resources based project with the help of a human resources consultant. Mr. Stensrud stated that this project is intended to provide a comprehensive and consistent human resources policy, as well as the ability to perform evaluations and address personnel matters in a clear and consistent manner. Mr. Stensrud noted that the project is also intended to focus the attitude and energy of employees toward accomplishing the goals and values that SCERS wants to have as an organization.

14. Chief Executive Officer Richard Stensrud presented a proposed resolution to change the starting time for SCERS Board Meetings from 1 p.m. to 11 a.m. Mr. Stensrud noted that due to the number and type of matters being addressed at SCERS Board Meetings, it was becoming the norm to need to start Board Meetings early. Mr. Stensrud noted that by shifting the official starting time, Board members could build that into their schedule and plans and not wonder each month whether the starting time would be moved up. Discussion followed.

Motion by Mr. Woods to approve the proposed resolution establishing the new starting time for SCERS Board Meetings; Seconded by Mr. Kelly. Motion carried (9-0).

INVESTMENT MATTERS:

11. The Item was moved from Consent Matters at the request of Mr. Diepenbrock.

Investment Officer Steve Davis provided further explanation as to why the proposed amendment to the investment parameters for the portfolio overlay program managed by State Street Global Advisors was needed. Motion by Mr. Hickox to approve the proposed amendment to the investment parameters for the portfolio overlay program managed by State Street Global Advisors; Seconded by Mr. Kelly. Motion carried (7-0).

15. Pete Keliuotis and John Meier of Strategic Investment Solutions, Inc. (SIS) presented an analysis related to SCERS' Asset/Liability Modeling study.

Mr. Keliuotis and Mr. Meier explained that after looking at the asset and liability sides of the study separately in previous presentations, the current presentation would bring the two components together to show how the asset options would impact the liability side. To that end, Mr. Keliuotis and Mr. Meier reviewed: (1) The asset class return and risk assumptions used in modeling the asset allocation options; (2) The constraints used in the modeling process; (3) The various asset allocation options produced by the modeling; (4) How and why current and possible future investment strategies had been assigned to a given asset

INVESTMENT MATTERS (continued):

class; (5) The expected return and expected risk of the asset allocation options; (6) How the asset allocation options would impact asset growth, the system's funded status, and employer contribution rates; (7) The cash flow attributes of the asset allocation options; (8) A risk/reward analysis; (9) An analysis of how the asset allocation options would perform in different economic environments; and (10) The overall risk factor profile of the asset allocation options. Mr. Keliuotis and Mr. Meier closed by presenting their preliminary recommendation for asset allocation model to be adopted by SCERS.

Discussion followed, and it was agreed that SIS would return with an analysis focused on the recommended asset allocation model, which would be presented for formal adoption in August.

Motion by Mr. Kelly to receive and file the presentation from Strategic Investment Solutions, Inc.; Seconded by Mr. Woods. Motion carried (9-0).

16. Chief Executive Officer Richard Stensrud provided an update on the work underway on a new hedge fund investment structure, in particular, the role of SCERS' current fund-of-hedge fund managers in the new investment structure. Mr. Stensrud explained that in order to maintain exposure to the hedge fund asset class and enhance diversification while a direct hedge fund investment program was being built out, Staff would be bringing forward a recommendation in August that SCERS modify the current single strategy mandate for one of the fund-of-fund managers, and convert the mandate to a broad, multi-strategy separate account format. Mr. Stensrud noted that the recommendation would be that only one of the current fund-of-fund relationships be modified in this way, with the other relationship being phased out and the funds managed by that manager utilized in the direct investment program.

Discussion followed. No action was taken.

The meeting was adjourned at 1:34 p.m.

MEMBERS PRESENT: James A. Diepenbrock, John B. Kelly, Julie Valverde, Diana Gin, Winston H. Hickox, William D. Johnson (arrived at 11:18 a.m.), Nancy Wolford-Landers, Robert L. Woods (arrived at 11:08 a.m.), and John Conneally.

MEMBERS ABSENT: Kathy O'Neil and Michael DeBord.

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, Deputy Chief Investment Officer; Steve Davis,

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Investment Officer; John Lindley, IT Analyst; Pete Keliuotis and John Meier, Strategic Investment Solutions, Inc.; James B. Fiedler, Cliffwater LLC; and Arthur K. Neville, J.P. Morgan.

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.