



Executive Staff:

Richard Stensrud
Chief Executive Officer

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

John Conneally
Elected by the Safety Members

Michael DeBord
Elected by the Retired Members

MINUTES

RETIREMENT BOARD MEETING, THURSDAY, MARCH 15, 2012

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, March 15, 2012, and commenced at 1:00 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. Mr. Diepenbrock read Resolution 2012-06 commending General Counsel James G. Line on his service to SCERS upon his retirement.

Motion by Ms. Gin to adopt Resolution 2012-06 honoring James G. Line; Seconded by Ms. Wolford-Landers. Motion carried (8-0).

Mr. Diepenbrock reported that during the closed session of the January 19, 2012 Board Meeting, the Board agreed to terminate the enhanced large cap index engagement with BlackRock. Mr. Diepenbrock stated that these funds were transferred to SCERS' passive U.S. large cap portfolio managed by AllianceBernstein.

Mr. Diepenbrock further reported that during the closed session at the February 16, 2012 Board Meeting the Board decided to terminate LSV Asset Management and Pzena Investment Management as large cap value managers and to terminate INTECH Investment Management and Wells Capital Management as large cap growth managers. Mr. Diepenbrock stated that these assets were transferred to Eagle Capital Management, Huber Capital Management, and Brown Advisory.

MINUTES:

2. The Minutes of the February 16, 2012 special meeting were approved on Motion by Ms. O'Neil; Seconded by Ms. Valverde. Motion carried (8-0).

CONSENT MATTERS:

Items 3-8

The Consent matters were acted upon as one unit upon a Motion by Ms. Gin; Seconded by Ms. Wolford-Landers. Motion carried (8-0).

3. HODNETT, Richard A: Granted a service-connected disability retirement.
4. HOUK, Frank W.: Granted a service-connected disability retirement.
5. SHORT, Ronald K.: Granted a nonservice-connected disability retirement.
6. VALLESTEROS, Rufino: Granted a nonservice-connected disability retirement.
7. Approved resolution SCERS 2012-05 ratifying execution of investment management agreements with Brown Advisory, Eagle Capital Management, and Huber Capital Management.
8. Received and filed the February 2012 Monthly Investment Manager Compliance Report and Watch List.

CLOSED SESSION:

9. Consulted With Legal Counsel – Pending Litigation
Government Code Section 54956.9(C)
1 Case.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

10. 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 the General Assembly of the California Association of Public Retirement Systems (CALAPRS) had recently taken place. Mr. Stensrud noted that Board

ADMINISTRATIVE MATTERS (continued):

Members John Kelly, Diana Gin, and Michael DeBord had all attended. Mr. Kelly, Ms. Gin, and Mr. DeBord all stated that the General Assembly was very informative.

Mr. Stensrud reported that the Los Angeles Pension Trustee Network Round Up had also recently taken place. Mr. Stensrud noted that Kathy O’Neil had attended and prepared notes for the other Board Members to review.

Mr. Stensrud reported that the State Association of County Retirement Systems (SACRS) Spring Conference is scheduled for May 8 – 11. Mr. Stensrud stated that any Board Members who wish to attend can contact Staff for assistance. Mr. Stensrud noted that the date of the SACRS Spring Conference might cause the May Board Meeting to need to be rescheduled.

Mr. Stensrud reported that the annual Form 700 Statement of Economic Interests was due March 31, 2012.

Mr. Stensrud reported that the annual member statements had recently been sent out.

Mr. Stensrud reported that the Investment Staff was continuing investment manager searches, specifically international equity managers. Mr. Stensrud stated that Staff expected to bring recommendations to the Board in May.

Mr. Stensrud noted that two potential hedge fund investment opportunities were being reviewed with a target closing date of April 1. Mr. Stensrud noted that these funds were essentially closed and that the willingness of the fund managers to provide SCERS the opportunity to invest reflected well on SCERS’ Investment Staff. Mr. Stensrud also reported that a potential private equity investment opportunity was being reviewed with a target closing date in mid-April.

Mr. Stensrud reported that the Investment Staff was planning an educational session for a future Board Meeting focused on private market investments in emerging markets.

Mr. Stensrud reported that with General Counsel Jim Line’s retirement, Staff was expecting to engage one or more outside counsel providers to offer counsel until a permanent General Counsel is hired. Mr. Stensrud noted the hope that the outside counsel would be available to be in the SCERS office at least part-time.

INVESTMENT MATTERS:

11. Jamie Feidler of Cliffwater, LLC presented the Alternative Assets Investment Performance Report for the Quarter Ended December 31, 2011, including information regarding the hedge fund, private equity, real estate, and opportunities portfolios.

INVESTMENT MATTERS (continued):

Mr. Feidler reported that SCERS' hedge fund portfolio was up 2.6% in the fourth quarter of 2011, but down 3.7% in 2011 overall, whereas the absolute policy benchmark (3 Month T-Bills + 5%) was up 1.2% in the fourth quarter of 2011 and up 5.1% in 2011 overall. Mr. Feidler noted that SCERS' hedge funds outperformed the HFRI Equity Hedge Index in the fourth quarter of 2011, where the index was down 0.4%, and in 2011 overall, where the index was down 5.7%.

Mr. Feidler reported that the net investment rate of return ("IRR") of SCERS' private equity portfolio is up 2.2% since inception compared to the Venture Economics Private Equity Index up 4.4% and the multiple of total value to paid in capital ("TVPI") is 1.04x since inception. Mr. Feidler noted that SCERS' private equity portfolio shows lower relative returns due to the early phase/cycle of investments (j-curve affect) compared to the index.

Mr. Feidler reported that SCERS' real estate portfolio IRR is 7.3% compared to SCERS' real estate portfolio benchmark (blends NCREIF Index with FTSE NAREIT Equity REIT Index) at 9.8%, and that SCERS' TVPI is 1.2x.

Mr. Feidler reported that SCERS' opportunistic portfolio was up 2.1% in the fourth quarter of 2011 and flat since inception compared to the policy benchmark (Dow Jones UBS Commodity Index) up 0.7% and down 4.4%, respectively.

Motion by Mr. Kelly to receive and file the quarterly performance report; Seconded by Ms. O'Neil. Motion carried (7-0).

12. Jamie Feidler of Cliffwater, LLC presented the annual report on the private equity asset class and the proposed private equity investment plan for 2012.

Mr. Feidler stated that the investment objective of SCERS' private equity program was to enhance the total fund performance with an expectation to outperform public equities (Russell 1000 Index) by 3% annually over the long-term. Mr. Feidler noted that the private equity target allocation was recently increased from 5% to 10%. Mr. Feidler further noted that this represents a long-term target as the private equity program will take many years to prudently implement, with the 10% target allocation expected to be reached in 2017.

Mr. Feidler stated that SCERS' existing portfolio is reasonably well-diversified, but that the amount of money invested is relatively small (1.6% of SCERS' total portfolio). Mr. Feidler noted that new commitments are intended to complement the existing investments and maintain long-term diversification.

Mr. Feidler reviewed SCERS' current fund of funds, including HarbourVest Partners VIII, Abbott Capital Private Equity Fund VI, Goldman Sachs Private Equity Partners X, and HarbourVest International Private Equity Partners VI.

INVESTMENT MATTERS (continued):

Mr. Feidler reported that SCERS' private equity commitment activity since May 2011 has been geared toward its stated areas of focus, with commitments to Waterland V, Khosla Ventures IV, Summit Partners Credit Fund, Summit Partners VC III, Accel-KKR IV, and Garrison Opportunity Fund III. Mr. Feidler noted that SCERS' initial commitments have been made with top-tier general partners.

Mr. Feidler reviewed the recommended 2012 private equity annual investment plan, which targets a \$200 million commitment level over 8 funds. Mr. Feidler noted that this target is generated from a proposed commitment range of \$170-\$210 million between 6-9 funds. Mr. Feidler stated that the recommended area of focus for the remainder of 2012 would include small buyout and non-U.S. opportunities, which are intended to complement the existing portfolio and take advantage of the best opportunities in the market.

Motion by Ms. Wolford-Landers to receive and file the annual report on the private equity asset class and approve the proposed private equity investment plan for 2012; Seconded by Ms. O'Neil. Motion carried (6-0).

13. Chief Executive Officer Richard Stensrud presented the proposed investment policy statement for the opportunities asset class. Mr. Stensrud noted that the Board had previously approved similar policy statements for private equity, hedge funds, and real assets asset classes.

Mr. Stensrud stated that the goal of the policy statement was to provide, in a single document, the approach to the asset class and how investment decisions are going to be executed in that asset class. Mr. Stensrud noted that the approach with the opportunities asset class was a little different given that it does not have a fixed target allocation, but rather a range that can be as low as 0%. Mr. Stensrud stated that even though the approach is a little different, the format of the policy statement for the opportunities asset class should be consistent with the policy statements for the other asset classes.

Motion by Ms. Wolford-Landers to approve the proposed investment policy statement for the opportunities asset class; Seconded by Mr. Conneally. Motion carried (6-0)

The meeting was adjourned at 2:34 p.m.

MEMBERS PRESENT: James A. Diepenbrock (departed at 2:25 p.m.), John B. Kelly, Diana Gin, Winston H. Hickox (departed at 1:27 p.m.), Kathy O'Neil, Julie Valverde, John Conneally, Nancy Wolford-Landers, and Michael DeBord.

MEMBERS ABSENT: William D. Johnson.

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; Scott Chan, Deputy Chief Investment Officer; Steve Davis, Investment Officer; Suzanne Likarich, Retirement Services Manager; John Lindley, IT Administrator; Pete Keliuotis, Strategic Investment Services, Inc; and Jamie Feidler, Cliffwater, LLC.

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.