



Executive Staff:

Richard Stensrud
Chief Executive Officer

Vacant
Chief Investment Officer

Robert L. Gaumer
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

Members of the Board of Retirement

Rick Fowler, President
Appointed by the Board of Supervisors

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

Keith DeVore, Vice President
Appointed by the Board of Supervisors

Steven L. Baird
Elected by the Miscellaneous Members

Michael DeBord
Elected by the Retired Members

James A. Diepenbrock
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

Ben Lamera
Ex Officio, Interim Director of Finance

Chris A. Pittman
Elected by the Safety Members

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

MINUTES

RETIREMENT BOARD MEETING, MONDAY, MAY 9, 2016

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 Monday, May 9, 2016, and commenced at 10:03 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the April 20, 2016 regular meeting were approved on Motion by Mr. Diepenbrock; Seconded by Mr. Kelly. Motion carried (9-0).

CONSENT MATTERS:

Items 3-13

The Consent Matters were acted upon as one unit upon a Motion by Mr. Kelly; Seconded by Mr. Baird carried (9-0).

3. BROWN, Timothy G.: Granted a nonservice-connected disability retirement.

CONSENT MATTERS (continued):

4. GOMEZ, Eleanor Y.: Granted a nonservice-connected disability retirement.
5. MOEN, Rhonda R.: Granted a service-connected disability retirement.
6. ROBERT, Richard A.: Granted a nonservice-connected disability retirement.
7. SOLORIO, Michael: Denied a service-connected disability retirement.
8. STUESSY, Fred G.: Denied a service-connected disability retirement, but granted a nonservice-connected disability retirement.
9. Approved the scope of services under the contract for auditing services with Macias, Gini & O'Connell, LLP.
10. Received and filed the Selected Fees and Costs for Outside Legal Services for the Quarter Ended March 31, 2016.
11. Received and filed the Portfolio Re-Balancing Report for the Quarter Ended March 31, 2016.
12. Received and filed the Trading Cost Report for the Quarter Ended March 31, 2016.
13. Received and filed the April 2016 Monthly Investment Portfolio Activity Report.

ADMINISTRATIVE MATTERS:

14. 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 California Association of Public Retirement Systems (CALAPRS) would be holding a trustee roundtable on Friday, June 10 in San Jose. Mr. Stensrud noted that Board Members interested in attending should contact Staff for assistance.

Mr. Stensrud reported that on May 4, the Assembly Public Employee, Retirement, and Social Security (PERS) Committee heard legislation including a bill initiated by the State Association of County Retirement Systems (SACRS) that pertained to the operating authority of County Retirement Systems. Mr. Stensrud stated that approximately one week before the hearing, labor organizations that represent employees working at the retirement systems indicated that they wanted to have approval authority over the ability of a retirement system to change its operating authority model. Mr. Stensrud stated that SACRS declined the request by the labor organizations, just as it had a similar, earlier request made by the California State Association of Counties (CSAC). Mr. Stensrud did note, however, that the SACRS Legislative Committee made an adjustment to the legislation to

ADMINISTRATIVE MATTERS (continued):

limit the operating authority model to which a system could move to the model used by the Orange County retirement system. Mr. Stensrud explained that, under this model, only the senior management employees would switch from being county employees to being employees of the retirement system, and that the employees represented by the labor organizations would not be impacted by the operating authority change. Mr. Stensrud stated that the SACRS Legislative Committee hoped that with this change, the labor organizations would reconsider their position regarding the approval authority, which unfortunately did not happen. Mr. Stensrud reported that, despite the opposition from the labor organizations and CSAC, through the strong efforts of the author, Assembly Member Jim Cooper, and the SACRS lobbyists, the bill passed out of committee. Mr. Stensrud stated that SACRS will be meeting with the stakeholders to determine whether or not there is any room for accommodation in the bill before the bill is voted on by the Assembly.

Discussion followed.

INVESTMENT MATTERS:

15. Barry Dennis of Verus Advisory, Inc. presented the Investment Performance Report for the Quarter Ended March 31, 2016.

Mr. Dennis reported that the Total Fund (TF) return for the second quarter, including the impact of the overlay program, was 0.8% gross of fees. The TF return was 1.3% below the policy index of 2.1%, and 1.0% below the allocation index return of 1.8%. The TF return without the impact of the overlay program was also 0.8%.

Mr. Dennis reported that on a comparative basis, the return for the quarter was below the Public Funds \$1+ Billion Median return of 1.1%. The TF return ranks in the 68th percentile in the InvestorForce Universe, which is the ranking universe used by Verus. The major asset classes experienced mixed returns for the quarter.

Mr. Dennis reported that at the asset class level, quarter outperformance occurred, gross of fees, in the international equity, fixed income, real assets, and opportunistic segments. Underperformance occurred in the domestic equity, absolute return, and private equity segments.

Mr. Dennis reported that for the fiscal year-to-date, the TF return gross of fees, including the impact of the overlay program was -2.5%, which was 2.2% below the return of the policy index benchmark return of -0.3%, and 2.0% below the allocation index return of -0.5%. The return of the TF for the fiscal year without the impact of the overlay was -1.4%. The TF fiscal year-to-date return was 1.1% below the Public Funds \$1+ Billion Median return of -1.4%, and ranks in the 79th percentile in the InvestorForce Universe.

INVESTMENT MATTERS (continued):

Mr. Dennis reported that the annualized TF return gross of fees for three years of 5.2% is 1.1% below the policy index benchmark for the same period. The annualized TF return gross of fees for five years of 6.1% is 0.4% below the policy index benchmark for the period. The TF gross of fees return of 8.2% since the inception of SIS's data in June of 1986 is 0.3% below the Total Benchmark return of 8.5% for the period, but above SCERS' actuarial investment return assumption which has ranged from 8.25% to 7.50% (currently) during the period.

Mr. Dennis noted that notwithstanding the weak performance for the quarter, SCERS' asset allocation model continued to be positioned well, as reflected by the returns for the policy index and allocation index, both of which were well above the public funds median. Mr. Dennis noted that performance was negatively impacted by SCERS' equal weighting to domestic and international equity, and the relative strength of the U.S. dollar. Mr. Dennis further noted that real assets proxy component in the overlay had also been a drag on performance due to the large energy element in the proxy.

Motion by Mr. Diepenbrock to receive and file the quarterly report; Seconded by Mr. Kelly. Motion carried (9-0).

16. Deputy Chief Investment Officer Steve Davis introduced the presentation by Verus Advisory, Inc. on asset liability modeling.

Mr. Davis reviewed the last asset liability study which was performed in 2011. Mr. Davis stated that this study included: Mean variance optimization supplemented by risk-based approaches such as risk factor and economic regime analysis; reviewing asset class roles and objectives; performing scenario analysis; and performing a liquidity analysis.

Barry Dennis and John Nicolini of Verus discussed how the portfolio developed in 2011 has performed.

Mr. Dennis and Mr. Nicolini then reviewed that steps that will be used in the upcoming asset liability modeling analysis, including: (1) Identifying Objectives (e.g., things to achieve, things to avoid, unacceptable outcomes); (2) Performing an Enterprise Risk Tolerance assessment; (3) Development of a Liability Model; and (4) Development of model asset portfolios. Mr. Nicolini reviewed the proposed timeline for the asset liability modeling process.

Motion by Mr. Kelly to receive and file the presentation by Verus Advisory, Inc. on asset liability modeling; Seconded by Mr. Pittman. Motion carried (9-0).

The meeting was adjourned at 11:38 a.m.

MEMBERS PRESENT: Rick Fowler, John B. Kelly, Keith DeVore, Steven L. Baird, James A. Diepenbrock, Ben Lamera, Chris Pittman, John Conneally, and Martha J. Hoover.

MEMBERS ABSENT: Michael DeBord and Diana Gin.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; Robert L. Gaumer, General Counsel; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Steve Davis, Deputy Chief Investment Officer; Suzanne Likarich, Retirement Services Manager; Thuyet Dang, Senior Accounting Manager; JR Pearce, Investment Officer; John Lindley, IT Administrator; Barry Dennis and John Nicolini, Verus Advisory, Inc; Jamie Feidler, Cliffwater LLC; John Reed, Deputy County Counsel; Eleanor and Sergio Gomez; Michael and Janet Solorio; and Fred Stuessy.

Respectfully submitted,

Richard Stensrud
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Rick Fowler, 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.