



Executive Staff:

Richard Stensrud  
Chief Executive Officer

Jeffrey W. States  
Chief Investment Officer

John W. Gobel, Sr.  
Chief Benefits Officer

Kathryn T. Regalia  
Chief Operations Officer

Members of the Board of Retirement

James A. Diepenbrock, President  
Appointed by the Board of Supervisors

Ronald D. Suter, 1<sup>st</sup> Vice President  
Elected by Miscellaneous Members

John B. Kelly, 2<sup>nd</sup> Vice President  
Appointed by the Board of Supervisors

Dave Irish, Director of Finance  
Ex-Officio

Keith DeVore  
Elected by Miscellaneous Members

Winston Hickox  
Appointed by the Board of Supervisors

William D. Johnson  
Elected by Safety Members

Nancy Wolford-Landers  
Elected by Retired Members

Robert Woods  
Appointed by the Board of Supervisors

William Cox  
Elected by Retired Members

Steven Soto  
Elected by Safety Members

## MINUTES

### RETIREMENT BOARD MEETING, OCTOBER 20, 2005

The meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, U.S. Bank Plaza Building, 980 9th Street, 18<sup>th</sup> Floor, Sacramento, California, on October 20, 2005 at 1:00 p.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. The Minutes of September 15, 2005, were approved on a Motion by Ms. Wolford-Landers; Seconded by Mr. Irish. Motion carried (7-0).

#### CLOSED SESSION:

##### DISABILITY MATTERS:

3. ANDERSON, Bruce L.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated October 12, 2005.
4. ERNST, Edward W.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated October 12, 2005.

**DISABILITY MATTERS: (Continued)**

5. NELSON, Jeffrey L.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated October 12, 2005.

**PUBLIC EMPLOYEE PERFORMANCE EVALUATION**  
**[Government Code Section 54957(b)(1)]**

6. Title: Chief Executive Officer

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

7. Chief Executive Officer Richard Stensrud noted that travel materials and other information regarding the upcoming State Association of County Retirement Systems (SACRS) Conference would be distributed shortly.

Mr. Stensrud noted that a recent news article concerning the problems at the City of San Diego retirement system had been distributed for the Board's review. Discussion followed regarding the issues raised in the article. No action was taken.

Mr. Stensrud reported that he had consulted with the Sacramento County Retired Employees Association (SCREA) and the County regarding Ms. Wolford-Landers' request at the September Board Meeting that SCERS provide notice to retirees when the County was considering possible changes to the retiree health insurance program. Mr. Stensrud reported that the parties had agreed to a proposed method for addressing this request under which the County would provide SCERS with an appropriate notice statement which SCERS could then include in the monthly benefit payment remittance provided to retirees. Mr. Stensrud stated that he believed this approach would provide the notice desired by the retirees while properly acknowledging the County's role as sponsor of the retiree health care program. Mr. Stensrud also noted that this approach would result in no cost to SCERS and minimal cost to the County. Ms. Wolford-Landers stated that she supported the proposed approach. Discussion followed, and it was the consensus of the Board that the proposed approach should be implemented.

Mr. Stensrud reported that SCREA had inquired about utilizing the services of SCERS' actuary to analyze certain data. Mr. Stensrud reported that SCREA had indicated they would be willing to pay the cost for such analysis. Mr. Stensrud noted that due to confidentiality and conflict of interest considerations, SCERS does not typically permit parties to contract directly with SCERS' actuary to perform work based on SCERS data. Mr. Stensrud further noted, however, that periodically SCERS has received comparable requests from the County, and in such cases, provided the request was reasonable and did not interfere with the actuary's work on SCERS assignments, SCERS has permitted the work to be performed under the coordination and supervision of SCERS. Mr. Stensrud stated that unless the Board felt differently, he proposed to treat the SCREA request in a similar manner. Discussion followed, and it was the consensus of the Board that SCERS

should continue to provide such assistance to SCERS stakeholders provided that the request was reasonable and did not require undue time and effort on the part of SCERS or SCERS' service provider.

At the request of Mr. Stensrud, Chief Investment Officer Jeffrey States provided an update on the status of the ongoing searches for a cash overlay and REIT investment managers. In addition, Mr. States summarized several recent news articles distributed to the Board regarding problems with certain hedge fund managers. Mr. States noted that SCERS had no investments with the managers discussed in the articles, and further noted that SCERS' fund-of-hedge fund managers had due diligence and oversight controls designed to detect such problems. Mr. States noted that the SCERS' hedge fund managers would be making their annual portfolio review presentation at the November Board Meeting and would be available at that time to answer any questions the Board might have about problems in the industry.

8. Chief Benefits Officer John Gobel presented a report outlining his recommendation that SCERS engage the State Office of Administrative Hearings (OAH) to supplement the existing roster of Hearing Officers in disability retirement matters. Mr. Gobel noted that OAH Hearing Officers have experience in handling disability matters at other 1937 Act retirement systems, and would give SCERS more options and flexibility in scheduling disability retirement hearings. Mr. Gobel noted that the hourly rate charged by OAH for such services was \$176. Motion by Mr. DeVore to approve the engagement of OAH to provide Hearing Officers in disability matters; Seconded by Mr. Woods. Motion carried (7-0).
9. Chief Executive Officer Richard Stensrud presented a report outlining his recommendation that SCERS adjust the hourly rate for SCERS' active roster of disability Hearing Officers to \$176 for work performed on or after October 21, 2005. Mr. Stensrud noted that the recommended hourly rate represented an increase over the hourly rate authorized at the September Board Meeting, but stated that he believed the increase was appropriate given the hourly rate approved for OAH Hearing Officers. Mr. Stensrud also noted that the proposed effective date for the new rate represented a change from the effective date for the rate approved in September, but stated that the earlier effective date would remove potential inequity between the current and new Hearing Officers. Mr. Stensrud noted that in order to prevent 'windfall through delay' in addressing pending matters, he was recommending that the new higher rate only be paid if the report of the Hearing Officer was submitted to SCERS in a timely manner.

Extensive discussion followed regarding, among other things, the substantial rate increase for the existing Hearing Officers; the importance of equitable treatment of the Hearing Officers; and how it would be determined whether a report was submitted in a timely manner. On the last point, Supervising Deputy County Counsel Michele Bach suggested that a more workable standard might be to apply the new rate in all matters heard on or after an established date. Mr. Stensrud noted that his intent was to cut-off the higher hourly

rate in only the most egregious instances of delay, but that he would consult with counsel in developing a fair and reasonable method for determining when and whether compensation at the original hourly rate was appropriate.

Motion by Mr. Kelly to increase the hourly rate to \$176 for the active roster of existing Hearing Officers for work performed on or after October 21, 2005, with staff to develop a fair and reasonable method for determining if the increased rate should not apply; Seconded by Ms. Wolford-Landers. Motion carried (6-0).

10. Chief Executive Officer Richard Stensrud provided a summary of the proposed amendments to the SACRS Constitution and Bylaws being submitted for member approval at the upcoming SACRS Conference. Discussion followed. Motion by Ms. Wolford-Landers to approve the proposed amendments; Seconded by Mr. Woods. Motion carried (6-0).
11. Chief Executive Officer Richard Stensrud provided a summary of the proposed increase in the SACRS annual membership dues being submitted for member approval at the upcoming SACRS Conference. Discussion followed. Motion by Mr. DeVore to approve the proposal; Seconded by Mr. Woods. Motion carried (6-0).
12. Discussion was held regarding who should vote for SCERS on matters presented at the upcoming SACRS Conference. Mr. Woods was selected to serve as SCERS authorized voting delegate, with Mr. Stensrud as the alternate, on a Motion by Mr. Woods; Seconded by Mr. Johnson. Motion carried (6-0).

**INVESTMENT MATTERS:**

13. V. Michel Hanigan, Director, Client and Portfolio Services and Antonio DeSpirito, III, Principal and Portfolio Manager, both of Pzena Investment Management, presented a Portfolio Review Report for the large cap value portfolio managed for SCERS. Discussion followed. The Portfolio Review Report was received and filed on a motion by Mr. Woods; Seconded by Mr. DeVore. Motion carried (6-0).
14. Keith Bruch, Director, Client Portfolio Services and Josef Lakonishok, CEO and CIO, both of LSV Asset Management, presented a Portfolio Review Report for the large cap value portfolio managed for SCERS. Discussion followed. The Portfolio Review Report was received and filed on a motion by Mr. Kelly; Seconded by Mr. Woods. Motion carried (6-0).
15. Chief Investment Officer Jeffrey States presented a recommendation that the Board approve an increase in the legal services fee cap for services provided by the law firm of Nossaman, Guthner, Knox & Elliot, LLP for calendar year 2005 due to an increase in the volume of real estate transactions. David Kimport of the Nossaman firm was present to respond to questions. Discussion followed. Motion by Ms. Wolford-Landers to increase the legal services fee cap to \$470,000 for calendar year 2005; Seconded by Mr. Kelly. Motion carried (6-0).

16. The Asset Allocation and Portfolio Rebalancing Report for the quarter ending September 30, 2005 was received and filed on a motion by Mr. Woods; Seconded by Mr. Johnson. Motion carried (6-0).
17. The Monthly Investment Management Compliance and Activity Report for September 30, 2005 was received and filed on a motion by Mr. Woods; Seconded by Mr. Johnson. Motion carried (6-0).

The meeting was adjourned at 2:50 p.m.

**MEMBERS PRESENT:** James A. Diepenbrock; William Cox; Keith DeVore; Dave Irish (departed at 2:47 p.m.); William Johnson; John Kelly; Robert Woods and Nancy Wolford-Landers.

**MEMBERS ABSENT:** Winston Hickox; Steven Soto; and Ronald Suter.

**OTHERS PRESENT:** Richard Stensrud, Chief Executive Officer; Jeffrey States, Chief Investment Officer; Kathryn Regalia, Chief Operations Officer; John Gobel, Sr., Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Michele Bach, Supervising Deputy County Counsel; Josef Lakonishok and Keith Bruch, LSV Asset Management; V. Michel Hanigan and Antonio DeSpirito, III, Pzena Investment Management, LLC; and Florence Craig, Executive Assistant.

Respectfully submitted,

SACRAMENTO COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

Richard Stensrud,  
Chief Executive Officer

APPROVED: \_\_\_\_\_  
James A. Diepenbrock, President

DATE: \_\_\_\_\_

cc: Retirement Board (11); Clerk, Board of Supervisors (6); County Counsel (2); County Executive (2); County Employment Records & Training (2); County Employee Benefits & Risk Management; County Labor Relations; Employee Organizations (21); Sacramento County Retired Employees' Association; SCERS Member Districts (11); Amervest Company, Inc. (2); Dickstein & Merin; and The Sacramento Bee