



Executive Staff:

Richard Stensrud  
Chief Executive Officer

Jeffrey W. States  
Chief Investment 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

Keith DeVore, 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

Winston H. Hickox  
Appointed by the Board of Supervisors

Alice Jarboe  
Elected by Miscellaneous Members

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

John Conneally  
Elected by Safety Members

## MINUTES

### RETIREMENT BOARD MEETING, THURSDAY, APRIL 19, 2007

The regular 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 Thursday, April 19, 2007, commencing at 1:03 p.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. The Minutes of the March 15, 2007 regular meeting were approved on Motion made by Mr. Kelly; Seconded by Mr. Johnson. Motion carried (7-0).

#### CLOSED SESSION:

##### DISABILITY MATTERS:

3. SAVAGE, Thomas: Action taken on the Application for Disability Retirement per confidential memorandum from the Chief Benefits Officer dated April 20, 2007.
4. WILSON, Robert M.: Action taken on the Application for Disability Retirement per confidential memorandum from the Chief Benefits Officer dated April 20, 2007.

**DISABILITY MATTERS (continued):**

5. YANG, Charlie: Action taken on the Application for Disability Retirement per confidential memorandum from the Chief Benefits Officer dated April 20, 2007.

**LEGAL MATTERS:**

6. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION  
(Government Code Section 54956.9 (a))

Claim No. 1951196 Against Reliance Insurance Company (in Liquidation) by Assignment from EMJ Construction Consultants, N.A., Inc., Cause No. 269 MD 200 (Commonwealth Court of Pennsylvania)

The Board consulted with counsel.

**ADMINISTRATIVE MATTERS:**

7. The Board considered and denied an appeal by SCERS member Lynn Avery regarding a SCERS Staff benefit determination.

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

8. 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 staff had recently conducted another retirement planning seminar geared to SCERS members who are ten years or less from retirement. Mr. Stensrud reported that as with the previous seminars targeted to this group, the recent program had been sold-out. Mr. Stensrud reported that over the last several months more than one thousand SCERS members in this category had attended retirement planning seminars. Mr. Stensrud reported that retirement planning seminars targeted at SCERS members who are at an earlier point in their careers would begin in August.

Mr. Stensrud reported that SCERS would shortly be implementing enhancements to the benefits calculator on the SCERS website. Mr. Stensrud explained that the enhancements would allow SCERS members to develop benefit estimates for almost the full array of payment options they can elect at retirement.

Mr. Stensrud provided an update on the actions to-date by the Governor's commission on post-employment benefits.

**ADMINISTRATIVE MATTERS (continued):**

Mr. Stensrud reported that CalPERS and CalSTRS had commissioned a study to determine the amount of economic activity in California that is generated by the retirement benefit payments made by those retirement systems. Mr. Stensrud reported that analysis was comparable to a similar study by the Texas Teachers' Retirement System and confirmed that there was a substantial 'economic footprint' made by such benefit payments. Mr. Stensrud reported that he expected the State Association of County Retirement Systems (SACRS) would commission a similar study and noted that such information would be very helpful for showing the significant economic impact in Sacramento County from the benefit payments made by SCERS. Discussion followed and it was the consensus of the Board that such information would be very valuable.

9. Chief Benefits Officer John Gobel, Sr. presented a proposed resolution authorizing SCERS staff to make, upon request, a direct rollover of an eligible distribution to a qualified IRA of a non-spouse beneficiary. Mr. Gobel explained that the rollover in question had been authorized by recent changes in federal tax law, but that it had to be expressly adopted by the retirement system. Mr. Gobel noted that the new rollover option would permit persons such as the adult children or registered domestic partner of a recently deceased SCERS member to defer taxation on the SCERS death benefit payment. Motion by Mr. Kelly to adopt the proposed resolution authorizing the new rollover option; Seconded by Mr. Woods. Motion carried (9-0).
10. Chief Operations Officer Kathryn Regalia presented a proposed one-year extension of the contract for actuarial services with The Segal Company. Ms. Regalia noted that Segal had performed well over the three year term of the current contract. Ms. Regalia also noted that in light of various actuarial projects that would need to be undertaken over the next several months, including a triennial experience study, it would be beneficial to SCERS to continue the contractual relationship with Segal for at least one more year. Discussion followed, and it was the consensus of the Board that staff should explore with Segal the potential benefits of a longer contractual extension and report back to the Board on whether a longer extension would be advantageous. Motion by Mr. Kelly to authorize a one-year extension of the contract; Seconded by Mr. Woods. Motion carried (9-0).
11. Chief Executive Officer Richard Stensrud presented information on and a recommendation from the County Risk and Loss Control Office regarding the renewal of SCERS' fiduciary liability insurance coverage provided through the St. Paul Travelers Insurance Company. Mr. Stensrud also noted the importance of individual Board Members and designated staff being included in the waiver or recourse endorsement for such coverage. Mr. Paul Hight of the County Risk and Loss Control Office was available to answer questions. Motion by Mr. Kelly to renew SCERS' fiduciary liability insurance coverage through the St. Paul Travelers Insurance Company; Seconded by Mr. Johnson. Motion carried (9-0).
12. General Counsel James Line presented a proposed securities litigation policy for the Board's consideration. Mr. Line summarized the retirement system's historic approach to

**ADMINISTRATIVE MATTERS (continued):**

securities litigation matters, including the filing of claims when such cases are settled. Mr. Line explained the potential positive impact that can result from active involvement in such cases by institutional investors like SCERS. Mr. Line also outlined the considerations that SCERS would need to take into account in determining whether active rather than passive involvement would be beneficial to SCERS. Mr. Line noted that in order to make an informed decision in such matters it would be necessary to be able to monitor and assess the merits of securities litigation cases. Mr. Line also noted that information regarding the settlement of cases and the potential amount of SCERS' recovery would be helpful in assuring that SCERS was receiving all the funds to which it was entitled.

Mr. Line explained that in order to meet these objectives, he was recommending that SCERS engage a service provider to continually monitor SCERS' investment portfolio, and to identify securities litigation cases and settlements that potentially impacted those investments. Mr. Line further recommended that SCERS engage a pool of law firms with experience in litigating such cases to provide SCERS with an evaluation of the merits of the case, and if appropriate, to represent SCERS in such litigation. Mr. Line outlined the process via which SCERS' level of involvement in such litigation would be determined, noting that in the vast majority of cases, SCERS would be a passive rather than an active participant. Discussion followed.

Motion by Mr. Hickox to adopt the proposed securities litigation policy; Seconded by Mr. Woods. Motion carried (9-0).

13. Mr. Stensrud presented information on proposed bylaws, the election of officers, and other matters being submitted for a vote of the membership at the upcoming State Association of County Retirement Systems (SACRS) Spring Conference. Motion by Ms. Jarboe to approve the proposed bylaws; Seconded by Ms. Wolford-Landers. Motion carried (9-0). Motion by Mr. Johnson to approve the proposed slate of officers; Seconded by Mr. Kelly. Motion carried (9-0). Motion by Ms. Wolford-Landers to designate Chief Executive Officer Richard Stensrud as SCERS' voting delegate in these and any other matters presented for a vote at the conference; Seconded by Mr. Irish. Motion carried (9-0).

**INVESTMENT MATTERS:**

14. Richard Knee and Tamara Doi Aoyagi of Lehman Brothers Asset Management made an educational presentation regarding fixed income investment strategy alternatives. Discussion followed. Motion by Mr. Woods to receive and file the presentation materials; Seconded by Mr. Johnson. Motion carried (9-0).
15. Drew Demakis and David Allen of Alliance Bernstein made an educational presentation regarding commodities investing and new equity investment options. Discussion followed

**INVESTMENT MATTERS (continued):**

Motion by Mr. Woods to receive and file the presentation materials; Seconded by Ms. Wolford-Landers. Motion carried (9-0).

16. At the suggestion of Mr. Diepenbrock, who was presiding over the meeting, Agenda Item number 17 was taken up out of sequence.

Further discussion was held regarding the results of the evaluation survey regarding SCERS' general investment consultant, Mercer Investment Consulting. It was the consensus of the Board that they were generally satisfied with the services provided by Mercer, but they wished to see improvement in SCERS' investment performance and noted they will be looking to Mercer for leadership and innovation in developing the asset allocation and the manager structure to accomplish that goal. Staff was directed to discuss the Board's assessment with Mercer and to request that Mercer report back to the Board on how it proposes to address the Board's desires.

17. At the suggestion of Mr. Diepenbrock, who was presiding over the meeting, Agenda Item number 20 was taken up out of sequence.

Chief Investment Officer Jeffrey States presented the Monthly Investment Management Compliance and Activity Report for March 2007. Motion by Mr. Woods to receive and file the Report; Seconded by Ms. Wolford-Landers. Motion carried (8-0).

18. At the suggestion of Mr. Diepenbrock, who was presiding over the meeting, Agenda Item number 19 was taken up out of sequence.

Chief Investment Officer Jeffrey States presented the Asset Allocation and Portfolio Rebalancing Report for the Quarter Ended December 31, 2006. Motion by Mr. Woods to receive and file the Report; Seconded by Ms. Wolford-Landers. Motion carried (8-0).

19. At the suggestion of Mr. Diepenbrock, who was presiding over the meeting, Agenda Item number 16 was taken up out of sequence.

Chief Investment Officer Jeffrey States presented several proposed amendments to the securities lending agreement with State Street Bank. John McGuire of State Street Bank provided an overview of how the securities lending program operates, as well as information on the investment return SCERS has received from the program. Mr. States and Mr. McGuire explained the impetus for and nature of the proposed amendments to the program. Discussion followed. Motion by Mr. Woods to adopt the proposed resolution authorizing the recommended amendments to the securities lending agreement; Seconded by Mr. DeVore. Motion carried (8-0).

20. At the suggestion of Mr. Diepenbrock, who was presiding over the meeting, Agenda Item number 18 was taken up out of sequence.

**INVESTMENT MATTERS (continued):**

Chief Investment Officer Jeffrey States presented proposed amendments to SCERS' Investment Policy and Objectives regarding SCERS' Watch List policy. Mr. States explained that the proposed amendments were intended to formally address and incorporate in the Investment Policy the Board's previous discussions on investment manager oversight, performance, the determination of when Watch List status was warranted, and when and how Watch List status would be reviewed and re-considered. Discussion followed. Motion by Ms. Jarboe to adopt the proposed amendments to the SCERS Investment Policy; Seconded by Mr. Woods. Motion carried (7-0).

The meeting was adjourned at 4:30 p.m.

**MEMBERS PRESENT:** James A. Diepenbrock; Keith DeVore, John B. Kelly (departed at 4:22), Dave Irish (arrived at 1:05 p.m., departed at 3:48 p.m.), Winston Hickox (arrived at 1:04 p.m.); William D. Johnson; Alice Jarboe; Robert Woods, Nancy Wolford-Landers; and John Conneally.

**MEMBERS ABSENT:** William Cox

**OTHERS PRESENT:** Richard Stensrud, Chief Executive Officer; Jeffrey States, Chief Investment Officer; James G. Line, General Counsel; Kathryn Regalia, Chief Operations Officer; John Gobel, Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Tom Lightvoet of Mercer Investment Consulting; Richard Knee and Tamara Doi Aoyagi of Lehman Brothers Asset Management; Drew Demakis and David Allen of Alliance Bernstein; John McGuire of State Street Bank; SCERS Member, Ms. Lynn Avery; SCERS Member, Mr. Charlie Yang; Diana Ruiz, Deputy Counsel; Paul Hight, County Risk and Loss Control; and Jennifer Foster, Executive Assistant.

Respectfully submitted,

SACRAMENTO COUNTY EMPLOYEES'  
RETIREMENT SYSTEM

Richard Stensrud  
Chief Executive Officer

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.