



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

Keith DeVore, First Vice President  
Elected by Miscellaneous Members

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

Julie Valverde, Ex Officio  
Director of Finance

Winston H. Hickox  
Appointed by the Board of Supervisors

William D. Johnson  
Elected by Safety Members

Kathy O'Neil  
Elected by Miscellaneous Members

Nancy Wolford-Landers  
Elected by Retired Members

Robert L. Woods  
Appointed by the Board of Supervisors

John Conneally  
Elected by Safety Members

William Cox  
Elected by Retired Members

## MINUTES

### RETIREMENT BOARD MEETING, THURSDAY, DECEMBER 16, 2010

The regular meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 18<sup>th</sup> Floor, Sacramento, California, on Thursday, December 16, 2010, and commenced at 1:08 p.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. Chief Executive Officer Richard Stensrud congratulated Board President James Diepenbrock on his recent marriage.

Mr. Stensrud noted that this meeting would be the final meeting for Keith DeVore in his term of service on the Retirement Board. Mr. Diepenbrock read Resolution 2010-16 commending Mr. DeVore on his service.

Motion by Mr. Hickox to adopt Resolution 2010-16 honoring Keith DeVore; Seconded by Ms. Wolford-Landers. Motion carried (8-0).

Mr. Stensrud noted that this meeting would also be the final meeting for Bill Cox in his term of service on the Retirement Board. Mr. Diepenbrock read Resolution 2010-17 commending Mr. Cox on his service.

Motion by Ms. Wolford-Landers to adopt Resolution 2010-17 honoring Bill Cox; Seconded by Mr. Kelly. Motion carried (8-0).

**MINUTES:**

2. The Minutes of the October 5, 2010 special meeting and the October 21, 2010 and November 18, 2010 regular meetings were deferred.

**CONSENT MATTERS:**

Items 3-6

The Consent matters were acted upon as one unit upon a Motion by Mr. Johnson; Seconded by Mr. DeVore. Motion carried (8-0).

3. Rivera, Emanuel R.: Granted a service-connected disability retirement.
4. Approved the proposed interest crediting rate for member contribution accounts for the six month period ending December 31, 2010.
5. Approved the proposed extension of the general investment consulting contract with Mercer Investment Consulting to March 31, 2011.
6. Received and filed the November 2010 Monthly Investment Manager Compliance Report and Watch List.

**CLOSED SESSION:**

**LEGAL MATTERS:**

7. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION  
Government Code Section 54956(a)  
SC East Campus, Inc. vs. Weyerhaeuser Company  
Superior Court of Washington in and for King County, Case No. 08-14127-6 KNT

The Board consulted with counsel.

**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 on recent local press coverage.

Mr. Stensrud reported on the ballot initiative that was being pursued regarding public employee pensions.

Mr. Stensrud reported on the federal legislation that had been introduced regarding public employee pensions.

**ADMINISTRATIVE MATTERS (continued):**

9. Debbie Chan of Macias Gini & O’Connell presented the Independent Auditor’s Report, Report on Internal Controls and Compliance, and Report to the Board of Retirement for the Fiscal Years Ended June 30, 2010 and 2009.

Ms. Chan explained the purpose of the three reports. Ms. Chan stated that the audit showed no deficiencies, nor any instances of non-compliance with laws or regulations. Ms. Chan noted that during this fiscal year, SCERS had implemented a new governmental accounting standard, Statement No. 53. Ms. Chan explained that Statement 53 requires accounting and financial reporting for derivative instruments. Ms. Chan noted that this is a complex subject and that Staff did an excellent job. Ms. Chan stated that the audit produced an unqualified or ‘clean’ opinion on the basic financial statements. Ms. Chan explained that this was the highest assurance possible on the state of the financial statements. Ms. Chan further explained that this means the financial statements were fairly presented in accordance with generally accepted accounting principles.

Motion by Mr. Kelly to receive and file the reports; Seconded by Ms. Wolford-Landers. Motion carried (8-0).

10. Chief Operations Officer Kathryn Regalia presented the SCERS Comprehensive Annual Financial Report (CAFR) for the Fiscal Years Ended June 30, 2010 and 2009.

Ms. Regalia outlined the key components of the CAFR and recognized the contributions of the accounting and investment staff who assisted on the project. Chief Executive Officer Richard Stensrud commended Ms. Regalia and the other participants on the project for the quality of the document. The Board also commended Staff for the quality of the publication.

Motion by Mr. DeVore to receive and file the report; Seconded by Mr. Hickox. Motion carried (8-0).

11. Chief Executive Officer Richard Stensrud provided an update on SCERS’ administrative office space project. Mr. Stensrud reported that given the current commercial real estate market, SCERS will be able to substantially reduce costs with the new lease. Mr. Stensrud presented the Board Members with data reflecting the savings. Mr. Stensrud noted that over the life of the new lease, SCERS will save approximately \$1.6 million compared to the previous lease terms.

**INVESTMENT MATTERS:**

12. SCERS’ investment staff presented a report entitled ‘2010 Investment Year in Review.’

Chief Executive Officer Richard Stensrud introduced the report explaining that it is contemplated that such a review will be presented annually in the future. Mr. Stensrud explained that the report was intended to: (1) Summarize the major events and developments of the past year, including investment performance; (2) Remind the Board of

**INVESTMENT MATTERS (continued):**

what has been accomplished over the year; (3) Highlight the decisions that were made and the direction(s) established; and (4) Preview the investment program projects, issues and objectives for the year to come.

Mr. Stensrud provided an overview of the investment developments in 2010, noting that the busy and productive year was largely a function of the expansion of the internal investment staff.

Investment Officer Steve Davis provided a market overview, and discussed developments in the publicly traded segment of SCERS' investment portfolio. Investment Officer Scott Chan reported on developments in the private market segment of the portfolio.

Mr. Stensrud closed with comments on the investment projects that would be addressed in 2011.

The Board complimented Staff on the presentation, noting that the annual review of investment developments was a very helpful addition to the investment program. No action was taken.

13. Chief Executive Officer Richard Stensrud presented a recommendation that the Board establish the position of Deputy Chief Investment Officer (Deputy CIO) as an exempt SCERS executive staff position.

Mr. Stensrud noted the benefits that had already accrued from the expansion of the internal investment staff. Mr. Stensrud noted that from the outset, an important goal in expanding SCERS' internal investment staff capacity has been to assemble the best investment staff possible so that SCERS can provide the highest level of fiduciary oversight of the investment program. Mr. Stensrud noted that a second important goal has been to establish a staff structure that will assist in succession planning and facilitate retention of key investment staff. Mr. Stensrud explained that this would help mitigate the possibility of disruption to the investment program through the departure of staff. Mr. Stensrud noted that an additional consideration was that pursuit of these objectives needed to take place within the framework of SCERS' overall staff compensation structure.

Mr. Stensrud explained how establishing the proposed Deputy CIO position as an exempt SCERS executive staff position would accomplish these goals. Mr. Stensrud noted that if the Board approved establishing the Deputy CIO position, he would return to the Board with a proposed functional job description and salary range.

Motion by Mr. Kelly to establish the position of Deputy Chief Investment Officer as an exempt SCERS executive staff position; Seconded by Mr. Johnson. Motion carried (8-0)

14. Chief Executive Officer Richard Stensrud presented an update on the searches underway for a general investment consultant, alternative assets consultant, and real estate consultant. Mr. Stensrud noted that the SCERS Investment Staff had narrowed the list of

**INVESTMENT MATTERS (continued):**

potential alternative assets consultants to the following five: Albourne, Cambridge Associates, Cliffwater, Hewitt EnnisKnupp, and NEPC. Mr. Stensrud also noted that Staff had recently conducted lengthy interviews with the five potential consultants.

Mr. Stensrud reported that Staff will select 2-3 finalists for the alternative assets consultant engagement to bring before the Board.

The meeting was adjourned at 3:19 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Keith DeVore John B. Kelly, Julie Valverde, Winston H. Hickox, William D. Johnson, Nancy Wolford-Landers, John Conneally, and William Cox.

MEMBERS ABSENT: Kathy O’Neil and Robert L. Woods.

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; Suzanne Likarich, Retirement Services Manager; Thuyet Ziyalan, Accounting Manager; Scott Chan, Investment Officer; Steve Davis, Investment Officer; John Lindley, IT Analyst; Tom Lightvoet, Mercer Investment Consulting; Stephen Roberts, Nossaman; and Debbie Chan, Macias Gini & O’Connell.

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.