



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

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

Julie Valverde, Ex Officio
Director of Finance

Diana Gin
Elected by the Miscellaneous Members

Winston H. Hickox
Appointed by the Board of Supervisors

William D. Johnson
Elected by the Safety Members

Kathy O'Neil
Elected by the Miscellaneous Members

Nancy Wolford-Landers
Elected by the Retired Members

Robert L. Woods
Appointed by the Board of Supervisors

John Conneally
Elected by the Safety Members

Michael DeBord
Elected by the Retired Members

MINUTES

RETIREMENT BOARD MEETING, THURSDAY, JUNE 16, 2011

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, June 16, 2011, and commenced at 11:01 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the May 19, 2011 special meeting were approved on Motion by Mr. Woods; Seconded by Ms. Wolford-Landers. Motion carried (6-0-1, Mr. Johnson abstained).

CONSENT MATTERS:

Items 3-8

The Consent matters were acted upon as one unit upon a Motion by Ms. Wolford-Landers; Seconded by Mr. Johnson. Motion carried (7-0).

CONSENT MATTERS (continued):

3. Collier, Wanda A.: Granted a nonservice-connected disability retirement.
4. Piercy, Dearold L.: Granted a service-connected disability retirement.
5. Wilson, Ray Anthony: Granted a nonservice-connected disability retirement.
6. Goodreau, Cindy L.: Granted a nonservice-connected disability retirement.
7. Approved the proposed interest crediting rate for member contribution accounts for the six month period ending June 30, 2011.
8. Received and filed the May 2011 Monthly Investment Manager Compliance Report and Watch List.

CLOSED SESSION:

LEGAL MATTERS:

9. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
SCERS vs. Superior Court of Sacramento County (Sacramento Bee et al.)
Court of Appeal of the State of California, 3rd Appellate District, Case No. C065730

The Board consulted with counsel.

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 contribution rates for the 2011-2012 Fiscal Year were scheduled to be approved by the Sacramento County Board of Supervisors at their meeting on June 21, 2011.

Mr. Stensrud noted that retirement activity was continuing to run high relative to historic norms. Mr. Stensrud stated that retirement levels increased last year, and that Staff had expected the rate to trend back down. Mr. Stensrud noted that one possible explanation for the higher retirement rate is purely demographic – i.e., due to the ‘Baby Boom Bubble,’

ADMINISTRATIVE MATTERS (continued):

more people are reaching the age and career point where they start thinking about retirement. Mr. Stensrud also noted that another possible explanation is that due to heavier workloads resulting from reductions in the workforce and little to no salary growth, the incentive for people to continue working has diminished.

Mr. Stensrud reported that SCERS had sent a letter to all benefit payment recipients advising them about the recent appellate court ruling in *The Sacramento Bee* court case, the specific information disclosed to *The Bee*, and potential ramifications of the information that would be subject to disclosure via a Public Records Act request. Mr. Stensrud stated that the letter also explained how and why the matter had reached this point. Mr. Stensrud noted that the letter had been posted on the SCERS website. Mr. Stensrud also noted that Staff had received a steady stream of calls and emails from retirees and beneficiaries expressing concern, but also their appreciation for the efforts made by SCERS to preserve the confidentiality of the information in question. Mr. Stensrud noted that he had received similar feedback when addressing the Sacramento County Retired Employees Association luncheon earlier in the week. Finally, Mr. Stensrud noted that information regarding the new disclosure requirements would be presented to imminent retirees during the retirement orientation program retirees are encouraged to attend.

Mr. Stensrud reported that the private equity investment with Khosla Ventures had closed on June 17, 2011. Mr. Stensrud stated that the investment opportunity with HIG was likely not to move forward. Mr. Stensrud reported that HIG informed Staff that the fund is oversubscribed and that they are unlikely to take on any new investors.

11. Chief Operations Officer Kathy Regalia presented the proposed SCERS Administrative Budget for the 2011-2012 Fiscal Year. Ms. Regalia noted that the 2010-2011 Fiscal Year was expected to come in well under last year's approved budget. Ms. Regalia also noted that, due to the efforts of the State Association of County Retirement Systems (SACRS) Legislative Committee, a change had been made in the calculation method for the administrative expense cap for retirement systems. Ms. Regalia explained that the cap previously was 0.18% of total assets, but that now the cap is 0.21% of the actuarial accrued liability, excluding IT costs. Ms. Regalia noted that 2011-2012 Fiscal Year Administrative Budget would have been below the cap under the old method (0.10% of total assets), but that it is even further below the cap using the new method (0.09% of actuarial accrued liability, excluding IT costs).

Ms. Regalia described the significant changes in the new budget included the absence of Election Services costs due to no Retirement Board election this year and a decrease in Leased Property Use Charges due to the new lease.

Motion by Ms. Wolford-Landers to approve the proposed SCERS Administrative Budget for the 2011-2012 Fiscal Year. Seconded by Mr. Johnson. Motion carried (7-0).

INVESTMENT MATTERS:

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

Mr. Fiedler reported that SCERS' hedge fund portfolio is up 2.96% calendar year-to-date (as of April 30th) compared to the policy benchmark (3 Month T-Bills + 5%) of 1.72%. Mr. Fiedler noted that the risk policies and strategies of hedge funds have led to performance lagging in 2011 compared to equity indices.

Mr. Fiedler reported that the net investment rate of return ("IRR") of SCERS' private equity portfolio lagged the benchmark (the Venture Economics Private Equity Index) due to the early phase/cycle of SCERS' private equity investments (the 'j-curve' affect) compared to the Index.

Mr. Fiedler reported that SCERS' real estate portfolio IRR for the quarter is 7.75% compared to the National Council of Real Estate Investment Fiduciaries Index (NCREIF) at 9.71%.

Mr. Fiedler reported that SCERS' opportunistic portfolio was up 7.47% in the first quarter of 2011 and up 2.97% since inception compared to the policy benchmark (Dow Jones UBS Commodity Index) up 4.79% and .44%, respectively.

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

13. Jamie Fiedler of Cliffwater, LLC presented an educational presentation on hedge fund investing. Mr. Fiedler discussed: (a) The standard features of hedge funds; (b) The reasons for investing in hedge funds; (c) How institutional investors approach hedge fund investing; (d) Hedge fund performance; (e) Hedge fund portfolio construction; and (f) Hedge fund risks. Discussion followed.

Motion by Mr. Woods to receive and file the presentation by Cliffwater, LLC; Seconded by Mr. Johnson. Motion carried (7-0).

14. Chief Executive Officer Richard Stensrud led a discussion with SCERS Investment Staff, Board Members, and consultants from Strategic Investment Solutions, Inc. regarding the possible changes to SCERS' asset allocation as a result of the ongoing Asset/Liability Modeling study. No action was taken.

Chief Executive Officer Richard Stensrud presented Resolution No. SCERS 2011-02, which authorizes the President or Chief Executive Officer to execute documents which may be reasonably required to effectuate private equity investments. Mr. Stensrud noted that

INVESTMENT MATTERS (continued):

the resolution formalizes the action the Board took in May in approving the proposed private equity investment protocol.

Motion by Ms. O'Neil to adopt Resolution No. SCERS 2011-02; Seconded by Ms. Gin. Motion carried (7-0).

The meeting was adjourned at 1:49 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Julie Valverde, Diana Gin, William D. Johnson, Kathy O'Neil (arrived at 12:03 p.m.), Nancy Wolford-Landers, Robert L. Woods, John Conneally, and Michael DeBord.

MEMBERS ABSENT: John Kelly and Winston H. Hickox.

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, Deputy Chief Investment Officer; Steve Davis, Investment Officer; John Lindley, IT Analyst; Patrick Thomas, Pete Keliuotis, and Harshal Shah, Strategic Investment Solutions, Inc; James B. Fiedler, Cliffwater LLC; Jesse S. Kaplan, attorney; and Wanda Collier.

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.