



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, DECEMBER 15, 2005

The special 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 December 15, 2005 at 10:02 a.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. The Minutes of November 17, 2005, were approved on a Motion by Mr. Suter; Seconded by Mr. Irish. Motion carried (6-0).

##### INVESTMENT MATTERS:

3. Chief Investment Officer Jeffrey States and Allison Yager, Mercer Investment Consulting, provided an introduction and overview to the presentations of the five investment manager finalists under consideration for selection as a publicly traded real estate investment trust (REIT) portfolio manager. Mr. States and Ms. Yager recommended that the Board consider hiring two managers and allocate \$50 million dollars to each.

**INVESTMENT MATTERS: (Continued)**

4. The five finalist firms and their presenters were: (1) Urdang Securities Management, Inc. (represented by Todd Briddell, Senior Portfolio Manager; Dean Frankel, Portfolio Manager; and Peter Zabierek, Portfolio Manager); (2) AEW Capital Management (represented by Michael Acton, Principal, Director of Research; David McWorter, Principal, Client Service; and Roman Ronocha, Portfolio Manager); (3) Heitman (represented by Tim Pire, Managing Director and Portfolio Manager; Larry Antonatos, Executive Vice President and Portfolio Manager; and Zachary Stassi, Vice President, Client Service); (4) Principal Global Investors (represented by Kelly Rush, Director, Portfolio Management; Matthew Richmond, REIT Analyst; and Tuba Malinowski, Director, Institutional Marketing); and (5) Adelante Capital Management (represented by Michael Torres, CEO and Portfolio Manager; Jeung S. Hyun, Principal; Luis R. Sanchez, Vice President; and Arthur Hidalgo, Vice President, Client Services).

Each firm's presentation described the capabilities of the firms; their investment philosophy; their investment process; historic performance; and the qualifications of their investment professionals. The presenters were asked a variety of questions regarding their capability in managing a portfolio of publicly trade equity real estate securities. Each firm indicated that their fees were negotiable and that they would be willing to accept a performance-based fee.

Following the presentations a motion to receive and file the presentation materials was made by Mr. Suter; Seconded by Mr. Kelly. Motion carried (8-0).

5. Extensive discussion followed regarding the capabilities of the firms, including the differences in the firms, their experience, investment philosophy and process. Each of the Board members indicated how they had ranked the firms and discussed their reasons. Data on performance and the correlation of investment returns between the firms was reviewed and discussed.

Mr. Hickox made a Motion to hire Principal Global Advisors for one of the two assignments; Seconded by Mr. Woods. Motion carried (5-2). Mr. Irish and Mr. Suter opposed the Motion because they believed the two managers to be awarded the assignments should be selected at the same time. Mr. Soto and Mr. DeVore abstained because they had not been present for all the presentations.

Further discussion followed regarding the investment manager to be awarded the second assignment. Mr. Hickox made a Motion to hire Urdang Securities Management, Inc.; Seconded by Mr. Suter. Motion carried (7-0), with Mr. Soto and Mr. DeVore abstaining because they had not been present for all the presentations.

6. The Monthly Investment Management Compliance and Activity Report for November 2005 was received and filed on a Motion by Mr. Woods; Seconded by Mr. Suter. Motion carried (9-0).

**CLOSED SESSION:**

**DISABILITY MATTERS:**

7. GARCIA, LeRoy M.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated December 15, 2005.
8. GOMEZ, Gerald R.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated December 15, 2005.
9. HOGAN, Sean D.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated December 15, 2005.
10. MENARD, Katharine D.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum dated December 15, 2005.

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

11. Chief Executive Officer Richard Stensrud summarized recent news articles concerning developments at other public retirement systems, and the growing attention being given to new Governmental Accounting Standards Board (GASB) rules regarding Other Post-Employment Benefits (OPEB) such as retiree health care coverage.

Mr. Stensrud reported that the staff and Mercer Investment Consulting had conducted interviews with investment manager candidates for an engagement to administer a residual cash overlay strategy. Mr. Stensrud reported that staff and Mercer would make a report on the search and present a recommendation for a manager to handle the assignment at the January Board Meeting.

Mr. Stensrud reported that the annual independent audit was nearing completion and that staff had been working very hard on the audit and the Comprehensive Annual Financial Report (CAFR) for the 2005 and 2004 fiscal years. Mr. Stensrud noted that the CAFR would reflect new GASB rules governing the reporting of investment information in the footnotes to the financial statements. Mr. Stensrud reported that he anticipated that the CAFR and auditor's report would be presented at the January Board Meeting.

Mr. Stensrud noted that Board President James A. Diepenbrock would be closing the meeting with a review of the events and accomplishments of the past year. Mr. Stensrud stated that he believed the Board would find that a substantial amount had been accomplished in the past year, and in addition to complimenting the Board on its commitment to the pursuit of excellence, he wanted to express his appreciation to SCERS' staff for their hard work and dedication to quality service.

**ADMINISTRATIVE MATTERS: (Continued)**

12. SCERS Board President James A. Diepenbrock presented an overview of the events and accomplishments by SCERS over the past year. Among other things, Mr. Diepenbrock noted that SCERS had conducted an asset/liability study; made modifications to its asset allocation and investment manager structure; reviewed and revised the real estate investment strategy; and had analyzed and taken steps to implement new overlay strategies. Mr. Diepenbrock noted that SCERS had achieved a 10.1% investment return for the year, notwithstanding difficulties in achieving full funding of the real estate allocation. Mr. Diepenbrock also noted that SCERS had undertaken extensive analysis of actuarial issues, and had started work on a new interest crediting and excess earnings policy. Mr. Diepenbrock noted that SCERS continued to maintain a very strong 93% funded status. Mr. Diepenbrock commended his fellow Board Members for their contributions to an outstanding and productive year.

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

**MEMBERS PRESENT:** James A. Diepenbrock; William Cox; Keith DeVore (arrived at 1:00 p.m.); Winston Hickox (arrived at 10:02 a.m.); Dave Irish; John Kelly; Steven Soto (arrived at 12:10 p.m.); Ronald Suter; and Robert Woods (arrived at 10:05 a.m.).

**MEMBERS ABSENT:** William Johnson and Nancy Wolford-Landers.

**ADMINISTRATIVE MATTERS: (Continued)**

**OTHERS PRESENT:** Richard Stensrud, Chief Executive Officer; Jeffrey States, Chief Investment Officer; John Gobel, Sr., Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Michele Bach, Supervising Deputy County Counsel; Allison Yager, Mercer Investment Consulting; Todd Briddell, Dean Frankel, and Peter Zabierek, Urdang Securities Management, Inc.; Michael Acton, David McWhorter, and Roman Ronocha, AEW Capital Management; Tim Pire, Larry Antonatos, and Zachary Stassi, Heitman LLC; Kelly Rush, Matthew Richmond, and Tuba Malinowski, Principal Global Advisors; Michael Torres, Jeung Hyun, Luis Sanchez, and Arthur Hidalgo, Adelante Capital Management; George Appel, Sacramento Metropolitan Fire Protection District; 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; County Employment Services & Risk Management (2); 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