



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, 1st Vice President
Elected by Miscellaneous Members

John B. Kelly, 2nd 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, MARCH 20, 2006

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, 18th Floor, Sacramento, California, on March 20, 2006, at 4:16 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

INVESTMENT MATTERS:

2. Chief Executive Officer Richard Stensrud, Chief Investment Officer Jeffrey States and Tom Lightvoet of Mercer Investment Consulting presented a report to the Board on recent developments affecting the Small Cap Growth Portfolio managed by Bank of New York (BNY) Asset Management.

They reported that they had been advised on Friday, March 17th that BNY's lead portfolio manager for the strategy had resigned from the firm along with the most senior analyst. They reported that as a result, Mercer Investment Consulting had substantially downgraded the BNY strategy. They further reported that BNY had advised Mercer Investment Consulting that separate account clients like SCERS were being offered three options: (1) Freeze the account and have the assets transferred to another manager; (2) Have BNY's portfolio transition team liquidate the portfolio and give the client its assets in cash; or (3) BNY could convert the portfolio to a Russell 2000 Growth Index product. Mercer Investment Consulting noted that given these options it appeared BNY was abandoning the strategy.

INVESTMENT MATTERS: (Continued)

Mr. Stensrud, Mr. States and Mr. Lightvoet reported that under the circumstances they recommended the engagement with BNY be terminated at first opportunity and steps taken to maintain the value of the assets. They reported that they had been working with other SCERS' investment managers and considering various options. They reported that it appeared that the most efficient and cost-effective way to protect the assets would be to have the assets transferred to State Street Global Management, SCERS's overlay manager, and placed in a Russell 2000 Growth Index Fund until a replacement 'active' manager was identified. They recommended that State Street Transition Services be engaged to transition the assets. They further noted that some of the holdings in the BNY portfolio were also held by M.A. Weatherbie, SCERS' other Small Cap Growth manager. They noted that if the Board wanted to maintain active management of such assets, they could be transferred in-kind to Weatherbie as part of the transition. They further noted, however, that it was likely that Weatherbie would have to sell some of the transferred securities in order for the SCERS portfolio to remain consistent with the portfolios of their similar clients.

Extensive discussion followed regarding the situation and the options available under the circumstances. Among other things, discussion took place regarding the optimal way to address the securities held in both the BNY and Weatherbie portfolios and the preferred size of the portfolio that would ultimately be taken over by the replacement active manager.

Mr. Kelly moved that the engagement with BNY be terminated at first opportunity; that all the assets managed by BNY be transferred to State Street Global Management for investment in a Russell 2000 Growth Index Fund; that State Street Transition Services be engaged to transition the assets; and that the Chief Executive Officer be authorized to take the steps necessary, including execution of the requisite documents or agreements, to effectuate the transfer of the assets. Motion was Seconded by Mr. Suter. Motion carried (7-0).

Mr. Diepenbrock commended Mr. Stensrud, Mr. States and Mr. Lightvoet for quickly developing a plan for addressing the situation, and expressed his appreciation to the Board for making themselves available on such short notice. Mr. Diepenbrock noted that it was fortunate that a quorum of the Board could be established to make the necessary decisions in this situation and suggested that the Board may want to consider establishing standing authority for emergency decision-making by certain designated parties in the event that a Board Meeting could not be held in time to properly protect the assets of the retirement system. It was agreed that such procedures, with appropriate controls, would be prudent. Mr. Stensrud stated that he would develop a proposed method for addressing this concern and bring it to the Board for consideration.

The meeting was adjourned at 4:42 p.m.

MEMBERS PRESENT: James A. Diepenbrock; William Cox; Dave Irish; John B. Kelly; Ronald Suter; Keith DeVore; Nancy Wolford-Landers; and Robert Woods.

MEMBERS ABSENT: Winston Hickox; William D. Johnson; and Steven Soto.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; Jeffrey States, Chief Investment Officer (Via Teleconference); Kathryn Regalia, Chief Operations Officer; Tom Lightvoet, Mercer Investment Consulting (Via Teleconference); Michele Bach, Supervising Deputy County Counsel; T. Ziyalan, Investment Accountant; 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