



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, APRIL 20, 2006

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, 18th Floor, Sacramento, California, on April 20, 2006, at 1:02 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. Motion by Mr. Woods to approve the Minutes of March 16, 2006 regular meeting and the March 20, 2006 special meeting; Seconded by Mr. Johnson. Motion carried (9-0).

CLOSED SESSION:

DISABILITY MATTERS:

3. BOYD, SANDRA L.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated April 24, 2006.

DISABILITY MATTERS: (Continued)

4. CASTANEDA, GAY A.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated April 24, 2006.
5. DEAN, JANET L.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated April 24, 2006.
6. FULLER, DEBORA A.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated April 24, 2006.
7. MOORE, EUGENE F.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated April 24, 2006.
8. TONINI, DANIEL T.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated April 24, 2006.
9. CARROLL, JOHN A.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated April 24, 2006.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

10. Chief Executive Officer Richard Stensrud noted that there would be a heavy Agenda for the May Board Meeting and inquired whether a morning starting time would work for the Board. The Board Members indicated that moving the start time to the morning would not present a problem.

Mr. Stensrud reported that SCERS' Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2005 had been put on CD and would be made available to interested parties in that format in lieu of a hard copy. Mr. Stensrud noted that this would result in a cost savings in the reproduction of the CAFR.

Mr. Stensrud noted that an ethics training course would be offered at the upcoming State Association of County Retirement Systems (SACRS) Conference that would satisfy the recently enacted legislative requirement of mandatory ethics training for public officials.

Mr. Stensrud reported that the Board interview of the General Counsel candidate(s) would take place at the May Board Meeting.

OPEN SESSION:

ADMINISTRATIVE MATTERS: (Continued)

Mr. Stensrud noted that a draft of the active member and retiree newsletters had been provided to the Board. Mr. Stensrud noted that the newsletter format had been modernized and that the publications contained more substantive information than in the past. Mr. Stensrud reported that the publications were scheduled for distribution in May.

Mr. Stensrud reported that two retirement planning seminars had been scheduled for June. Mr. Stensrud explained that these first two seminars would be focused on SCERS members who are within ten years of retirement. Mr. Stensrud further explained that SCERS would also be offering seminars focused on SCERS members who are at an earlier point in their careers, and that such programs would begin in the fall. Mr. Stensrud noted that he believed these career-point focused programs would do a better job of addressing the members' different retirement-related concerns at the different stages of their work careers.

Mr. Stensrud provided an update on the ongoing efforts to implement the salary level approved by the Board for the Retirement Services Manager as part of the Johnson & Associates salary study in November 2004.

CEO Report

11. Paul Hight and Steven Page of the County Risk Management Office presented a report recommending that SCERS renew its fiduciary liability insurance coverage through the St. Paul Travelers Insurance Company. Mr. Hight noted that the policy would have the same terms and conditions as the current policy but that the cost would increase 7.3%. Mr. Hight further noted that the insurance broker had sought bids in the market for the coverage but had not been able to obtain a bid better than that of the Travelers. Finally, Mr. Hight encouraged the individual Board Members and SCERS staff members who serve in a fiduciary capacity to elect to participate in the waiver of recourse endorsement. Motion by Mr. Suter to renew the fiduciary insurance policy with the Travelers; Seconded by Mr. Kelly. Motion carried (9-0).
12. SCERS member Tim Lloyd presented information in support of his request that the Board overturn the denial by SCERS staff of his request for a retroactive retirement date and the cash-out of his unused sick leave. Information was presented by SCERS staff in support of its decision. Numerous questions were asked of Mr. Lloyd and staff. Discussion followed. Motion by Mr. DeVore to deny Mr. Lloyd's appeal; Seconded by Mr. Kelly. Motion carried (9-0).
13. The item was withdrawn and no discussion took place.
14. Chief Executive Officer Richard Stensrud reported that SCERS would be asked to vote at the upcoming SACRS Conference for SACRS Officers. Mr. Stensrud noted that a slate of officer candidates had been put forward by the SACRS Nominating Committee and that write-in candidates had been submitted for certain positions by the San Diego County Employees' Retirement Association. Mr. Stensrud explained that some SACRS members

OPEN SESSION:

ADMINISTRATIVE MATTERS: (Continued)

had concerns about the nomination process, and that as a result, Orange County Employees' Retirement System would be presenting a resolution at the SACRS Conference calling for the formation of an ad hoc committee to study the issue. Mr. Stensrud indicated that he believed such a committee would be a good approach for addressing the concerns in fair, open and rational manner. Mr. Stensrud also indicated that he believed the candidates put forward by the Nominating Committee were well-qualified. Accordingly, Mr. Stensrud recommended that SCERS cast its vote in favor of the candidates put forward by the Nominating Committee and vote in favor of the formation of an ad hoc committee to review the nomination process. Motion by Mr. Suter to vote in favor of the candidates submitted by the SACRS Nominating Committee; Seconded by Mr. Woods. Motion carried (9-0).

15. Based on the discussion described in the previous item, Mr. Suter moved that SCERS vote in favor of the resolution calling for the formation of an ad hoc SACRS committee to review the officer nomination process; Seconded by Mr. Johnson. Motion carried (9-0).
16. Chief Executive Officer Richard Stensrud outlined the positions on proposed legislation adopted by the SACRS Legislative Committee. Motion to vote in support of the Legislative Committee positions by Mr. Suter; Seconded by Mr. DeVore. Motion carried (9-0).
17. Chief Executive Officer Richard Stensrud reported that SCERS would have to select the individual authorized to vote on behalf of SCERS in matters brought to a vote at the SACRS Conference. Motion by Mr. Woods that Mr. DeVore vote on behalf of SACRS and that Mr. Stensrud be the alternate; Seconded by Mr. Johnson. Motion carried (9-0).

INVESTMENT MATTERS:

18. Tom Lightvoet of Mercer Investment Consulting presented a report on the U.S. Equity Small Cap Growth Manager search for a manager to invest a \$65 million portfolio of U.S. Small Cap Growth stocks. The report contained Mercer's research and background information on the five firms Mercer believed would best meet SCERS investment objectives. Mr. Lightvoet discussed the investment background and experience of each firm; reviewed their investment process; identified and discussed the characteristics of each firm's model investment portfolio; noted the respective performance attribution; and highlighted the differences between the firms. Extensive discussion followed regarding the firms identified by Mercer, including whether other high-performing firms not reported in the search might still be taking funds. Motion by Mr. Woods that the Board interview Bear Stearns Asset Management, Copper Rock Capital Partners and Waddell & Reed Asset Management Group for the engagement; Seconded by Mr. Hickox. Motion carried (8-0).
19. Chief Investment Officer Jeffrey States and Tom Lightvoet of Mercer Investment Consulting presented a report prepared by Allison Yager of Mercer updating the Board on the status of SCERS' implementation of the revised real estate investment strategy adopted in July 2005. The report noted that the next step would be to proceed with a search for two to four

OPEN SESSION:

INVESTMENT MATTERS: (Continued)

value-added managers. Motion by Mr. Kelly to initiate a search for two to four value-added real estate managers; Seconded by Mr. Woods. Motion carried (8-0).

20. Chief Investment Officer Jeffrey States and Chief Executive Officer Richard Stensrud reviewed the transition of the assets previously managed by the Bank of New York to a Russell 2000 Growth Index Fund managed by State Street Global Advisors until such time as a permanent replacement for Bank of New York could be identified. A Post-Trade Analysis prepared by State Street Global Markets providing details of the transition trading was reviewed. Mr. States and Mr. Stensrud requested Board authorization to explore offsetting some of the costs of the transition against the final billing from Bank of New York. The State Street Global Markets Post-Trade Analysis was received and filed on a Motion by Mr. Kelly; Seconded by Mr. Woods. Motion carried (8-0). Authorization to explore offsetting some of the costs of the transition against the final investment manager fees was provided on a Motion by Mr. Kelly; Seconded by Ms. Wolford-Landers. Motion Carried (8-0).
21. Chief Investment Officer Jeffrey States reported that Independence Investment LLC was being sold by its parent Manulife to a subsidiary of Convergent Capital Management LLC, a diversified asset management holding company, and itself a subsidiary of City National Corporation. Mr. States and Tom Lightvoet of Mercer Investment Consulting recommended that SCERS accept a request for the assignment of the Investment Management Agreement with Independence Investment LLC to Independence Investments, the new name of the firm.

Mr. States and Mr. Lightvoet also recommended that the Board equally divide the funds allocated to the U.S. Equity Large Cap Growth strategy between Independence and a second investment manager and that a search for a second manager be authorized. Discussion followed regarding the benefits to SCERS of having two managers rather than just one manager in the Large Cap Growth space.

Motion by Mr. Kelly to approve the assignment of the Investment Management Agreement with Independence Investment LLC to Independence Investment; Seconded by Mr. Woods. Motion carried (8-0). Motion by Mr. Woods approving the division of the funds allocated to the U.S. Equity Large Cap Growth strategy into two equal portfolios and authorizing a search for a second Large Cap Growth manager; Seconded by Mr. DeVore. Motion carried (8-0).

22. Chief Investment Officer Jeffrey States presented a letter from Nossaman, Guthner, Knox and Elliot, LLP discussing the anticipated legal expenses for the BlackRock real estate investment portfolio for the 2006-2007 fiscal year. The letter was received and filed on a Motion by Mr. Kelly; Seconded by Mr. Johnson. Motion carried (7-0).

OPEN SESSION:

INVESTMENT MATTERS: (Continued)

23. Chief Investment Officer Jeffrey States presented the semi-annual report on SCERS investment transaction costs for the period ending December 31, 2005. The report was received and filed on a Motion by Mr. DeVore; Seconded by Ms. Wolford-Landers. Motion carried (7-0).
24. Chief Investment Officer Jeffrey States presented the Monthly Investment Management Compliance and Activity Report for March 2006. The report was received and filed on a Motion by Mr. Woods; Seconded by Mr. Kelly. Motion carried (7-0).

The meeting was adjourned at 4:15 p.m.

MEMBERS PRESENT: James A. Diepenbrock; Bryan Celey-Butlin (On behalf of Dave Irish); William Cox (departed early at 3:50 p.m.); Winston Hickox; William D. Johnson; John B. Kelly; Ronald Suter (departed early at 3:35 p.m.); Keith DeVore; Nancy Wolford-Landers; and Robert Woods.

MEMBERS ABSENT: Steven Soto.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; Jeffrey States, Chief Investment Officer; Kathryn Regalia, Chief Operations Officer; John Gobel, Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; John Whisenhunt, Assistant County Counsel; Diana Ruiz, Deputy County Counsel; Tom Lightvoet, Mercer Investment Consulting; Paul Hight and Steven Page, County Risk Management; Florence Craig, Executive Assistant, and SCERS member Tim Lloyd.

Respectfully submitted,

SACRAMENTO COUNTY EMPLOYEES'
RETIREMENT SYSTEM

Richard Stensrud
Chief Executive Officer

APPROVED: _____
James A. Diepenbrock, President

DATE: _____

MINUTES – APRIL 20, 2006

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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