



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, MAY 18, 2006

The 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 May 18, 2006, at 9:05 a.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. Approval of the Minutes of the April 20, 2006 regular meeting was deferred to the June Board Meeting.

#### CLOSED SESSION:

##### PUBLIC EMPLOYEE APPOINTMENT: [Government Code Section 54957]

3. Interviews of candidates for the position of General Counsel were conducted. No action was taken.

##### DISABILITY MATTERS:

4. JOHNSON, Douglas E.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated May 24, 2006.

**CLOSED SESSION:**

**DISABILITY MATTERS: (Continued)**

5. KUNISAKI, Mark S.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated May 24, 2006.
6. DANERI, Bliss E.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated May 24, 2006.
7. SCHRADER, Barbara L.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated May 24, 2006.
8. SMITH, Patsy A.: Action was taken on the Application for Disability Retirement as indicated per attached confidential memorandum from the Chief Benefits Officer dated May 24, 2006.

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

9. Chief Executive Officer Richard Stensrud reported that the newsletters had gone out to both the active members and the retirees. Mr. Stensrud reported that the comments received to-date regarding the publications had been favorable.

Mr. Stensrud reported that due to the overwhelming response to the two retirement planning seminars scheduled for June, two more seminars would be held at the end of June. Mr. Stensrud noted that seats at the two additional seminars would first be offered to individuals on the waiting list for the two original seminars. Mr. Stensrud noted that these particular seminars were focused on individuals within ten years of retirement, and that seminars focused on individuals farther from retirement would be held in the fall.

Mr. Stensrud reported on the PBS Frontline program on retirement issues that had recently aired. Discussion followed regarding the issues discussed in the program.

Mr. Stensrud reported that on behalf of SCERS he had volunteered to serve on a committee being formed by the Council of Institutional Investors (CII), of which SCERS is a member. The purpose of the committee will be to advise the CII governing board regarding issues related to defined benefit retirement plans.

Mr. Stensrud reported that SCERS had recently received a Public Records Act request from the office of Assembly Member Richman, requesting extensive information regarding SCERS retirees. Mr. Stensrud reported that comparable requests had been made to all the 1937 Act retirement systems. Mr. Stensrud reported that SCERS

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS: (Continued)**

would respond to the request in a manner consistent with SCERS' position on the confidentiality of individually identifiable member information.

Mr. Stensrud noted that the State Association of County Retirement Systems (SACRS) Conference had recently been held in Sacramento and invited comments from the Board Members who had attended the Conference. Discussion followed regarding the programs and issues discussed at the Conference.

10. Chief Operations Officer Kathryn Regalia presented a draft of SCERS' Proposed Operating Budget for Fiscal Year 2006-2007 and answered various questions regarding the proposed budget amounts and current fiscal year expenditures. Ms. Regalia noted that the draft was being provided for informational purposes and that the official Proposed Operating Budget would be presented at the June Board Meeting. Motion by Mr. DeVore to receive and file the draft Proposed Operating Budget for Fiscal Year 2006-2007; Seconded by Mr. Woods. Motion carried (8-0).

**INVESTMENT MATTERS:**

11. The Quarterly Investment Performance Report for the Quarter Ended March 31, 2006 was presented by Tom Lightvoet of Mercer Investment Consulting. Mr. Lightvoet reported that SCERS' investments had a return of 5.0 % for the quarter and a return for the trailing one year of 16.0%. Mr. Lightvoet discussed the overall investment market performance and how SCERS' individual investment managers had performed. Discussion followed. Motion by Mr. Woods to receive and file the Quarterly Investment Performance Report; Seconded by Mr. Kelly. Motion carried (8-0).
12. Tom Lightvoet of Mercer Investment Consulting and Chief Investment Officer Jeffrey States provided an overview of the U.S. Equity Small Cap Growth manager search process and the three firms that had been selected to make presentations at the meeting.

Following the remarks, presentations were made by the following firms: (1) Copper Rock Capital Partners represented by Tucker Walsh, CEO and Head of Portfolio Management and Peter Hadelman, Principal and Head of Relationship Management; (2) Waddell & Reed Asset Management represented by Kenneth McQuade, Vice President, Assistant Portfolio Manager and Nikki Newton, Senior Vice President, Director of Institutional Marketing; and (3) Bear Stearns Asset Management represented by Maureen Mitchell, Head of Client Services, Ronan Burke, Client Services Manager and Avi Gelboim Vice President and Product Manager.

The respective investment management firms presented information regarding the history and structure of their organization; the background and experience of their investment team; their investment process and how and why it would add value over

**OPEN SESSION:**

**INVESTMENT MATTERS: (Continued)**

the benchmark; and their performance. Questions were asked of the presenters regarding various aspects of their presentations. The presentation materials provided by the firms were received and filed on a Motion by Mr. Woods; Seconded by Mr. Kelly. Motion carried (8-0).

13. Extensive discussion followed regarding the three small cap growth manager candidates. Mr. Lightvoet and Mr. States reviewed the key differences between the three firms; the size and depth of the investment teams; the depth of the firms' organization; their respective investment processes; and their performance. The relative strengths and weaknesses of the firms were discussed. Motion by Mr. Hickox to engage Bear Stearns Asset Management to manage the Small Cap Growth Portfolio; Seconded by Mr. Kelly. Motion carried (7-0).
14. Chief Executive Officer Richard Stensrud and Chief Investment Officer Jeffrey States presented a proposal for incorporating a regular, systematic investment education program into the Board's meetings. Mr. Stensrud and Mr. States explained that the purpose of the investment education program would be to keep the Board informed and knowledgeable regarding new investment strategies, concepts, trends and best practices, and in so doing, allow the Board to regularly re-visit, and confirm or revise as appropriate, the core elements of SCERS' investment policy and program. Mr. Stensrud and Mr. States outlined how such a program might be implemented and noted some of the subjects that might be addressed. Extensive discussion followed on how the program might be structured and topics that should be addressed. Motion by Mr. Kelly to develop a systematic investment education program for the Board; Seconded by Mr. Hickox. Motion carried (7-0).
15. Chief Investment Officer Jeffrey States presented the Monthly Investment Management Compliance and Activity Report for April 2006. Motion by Mr. Woods to receive and file the report; Seconded by Mr. Johnson. Motion carried (7-0).

The meeting was adjourned at 2:46 p.m.

**MEMBERS PRESENT:** James A. Diepenbrock (departed at 2:00 p.m.), Dave Irish, Winston Hickox, William D. Johnson, John B. Kelly, Ronald Suter, Keith DeVore, and Robert Woods.

**MEMBERS ABSENT:** William Cox, Steven Soto, and Nancy Wolford-Landers.

**OTHERS PRESENT:** Richard Stensrud, Chief Executive Officer; Jeffrey States, Chief Investment Officer; Kathryn Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Michele Bach, Supervising Deputy County Counsel; Thuyet Ziyalan, Accountant; Florence Craig, Executive Assistant, Tom Lightvoet of Mercer Investment Consulting; Tucker Walsh and Peter Hadelman of Copper Rock Capital Partners; Kenneth McQuade and Nikki Newton of Waddell & Reed Asset Management; and Maureen Mitchell, Avi Gelboim, and Ronan Burke of Bear Stearns Asset Management.

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