



Executive Staff:

Richard Stensrud  
Chief Executive Officer

Jeffrey W. States  
Chief Investment 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

Keith DeVore, 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

Winston H. Hickox  
Appointed by the Board of Supervisors

Alice Jarboe  
Elected by Miscellaneous Members

William D. Johnson  
Elected by Safety Members

Nancy Wolford-Landers  
Elected by Retired Members

Robert Woods  
Appointed by the Board of Supervisors

John Conneally  
Elected by Safety Members

William Cox  
Elected by Retired Members

## MINUTES

### RETIREMENT BOARD MEETING, THURSDAY, JULY 16, 2009

The regular meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 18<sup>th</sup> Floor, Sacramento, California, on Thursday, July 16, 2009, and commenced at 1:00 p.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. None heard.

##### MINUTES:

2. The Minutes from the May 8, 2009 special meeting and the June 18, 2009 regular meeting, were deferred until the August 20, 2009 Board Meeting.

##### ELECTION OF OFFICERS:

3. Chief Executive Officer Richard Stensrud invited nominations for the positions of SCERS Board Officers for Fiscal Year 2009-2010. Motion by Mr. Irish that the current Board Officers (James A. Diepenbrock, President; Keith DeVore, 1st Vice President; John B. Kelly, 2nd Vice President) be nominated to serve in their same offices for the 2009-2010 Fiscal Year; Seconded by Mr. Woods. Motion carried (9-0).

**CONSENT MATTERS:**

Items 4-6

The Consent matters were acted upon as one unit upon a Motion by Mr. Johnson, Seconded by Ms. Wolford-Landers. Motion carried (9-0).

4. McGUIRE, Jill A.: Granted a service-connected disability retirement.
5. Received and filed the Asset Allocation and Portfolio Rebalancing Report for the quarter ended June 30, 2009.
6. Received and filed the June 2009 Monthly Investment Manager Compliance Report and Watch List.

**CLOSED SESSION:**

**LEGAL MATTERS:**

7. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION  
Government Code Section 54956(a)  
Securities and Exchange Commission vs. WG Trading Investors, L.P., et al  
U.S. District Court, Southern District of N.Y., Case No. 09CIV 1750

Consulted with counsel.

8. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION  
Significant Exposure to Litigation (Government Code Section 54956.9(b)): 1 case.

Consulted with counsel.

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

9. 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 SCERS had again won the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the SCERS Comprehensive Annual Financial Report (CAFR) for the Fiscal Years Ended June 30, 2008 and 2007. Mr. Stensrud commended Chief Operations Officer Kathryn Regalia and the other staff who worked on the CAFR for their fine work. The Board also expressed their appreciation and congratulations for the accomplishment.

**ADMINISTRATIVE MATTERS (continued):**

Mr. Stensrud reported that an election was upcoming for the Miscellaneous Board Member seat currently held by Ms. Jarboe, the Safety Board Member seat currently held by Mr. Johnson, and the Alternate Safety Board Member seat currently held by Mr. Conneally. Mr. Stensrud reported that the nomination period for candidates would be from August 3<sup>rd</sup> through August 14<sup>th</sup>, and the election period would be from September 21<sup>st</sup> through October 2<sup>nd</sup>.

Mr. Stensrud reported that SCERS would be conducting a retirement planning seminar on August 7<sup>th</sup> for late-career employees.

Mr. Stensrud noted that the Board had been provided with various news articles concerning decisions being made at other public retirement systems regarding actuarial parameters such as asset smoothing and market value corridors. Mr. Stensrud noted that the SCERS Board would be considering similar issues in the fall.

Mr. Stensrud reported that at the August Board Meeting he anticipated presenting the Board with recommendations regarding a proposed policy governing post-retirement employment of retirees and the application of County furlough and other work-reduction measures to SCERS.

Mr. Stensrud provided the Board with an update on various state legislative proposals of interest to SCERS.

Mr. Stensrud reported that due to over-subscription to their TALF fund, PIMCO would only be taking \$12 million of the \$15 million that had been authorized for investment in the fund by the Board in June. Mr. Stensrud also reported that he anticipated that in the next month or two the Board would be presented with information regarding a potential investment in the Public-Private Investment Program being developed by the federal government.

Mr. Stensrud reported that State Street Global Advisors (SSGA) had been notified by federal securities regulators that the regulators anticipated pursuing potential securities law violations by the firm. Mr. Stensrud explained that the concerns of the regulators did not involve any areas where SSGA manages funds for SCERS.

Mr. Stensrud reported that staff would be distributing a survey to the Board regarding potential investment education topics.

Mr. Stensrud provided an update on SCERS' participation in County out-placement programs for individuals who had been laid off.

Mr. Stensrud reported that the special Board Subcommittee to explore office space options for SCERS would be conducting interviews of potential real estate brokers to assist

**ADMINISTRATIVE MATTERS (continued):**

with the search in early August. Mr. Stensrud noted that the Subcommittee would then present a recommendation to the full Board regarding who to engage for that purpose at the August meeting.

Mr. Stensrud reported that a problem had been discovered in the minimum qualifications language for the new internal Investment Officer position late in the application period for the position. Mr. Stensrud explained that the problem would have inadvertently excluded a number of otherwise qualified candidates, and as a result, the recruitment had been terminated. Mr. Stensrud explained that the problem in the language would need to be addressed by returning to the County Civil Service Commission to have the language amended. Mr. Stensrud reported that he estimated this would take a few months, and the recruitment would be re-initiated thereafter.

10. Chief Executive Officer Richard Stensrud presented a proposed policy regarding the protection of confidential information.

Mr. Stensrud noted that one of the Core Values adopted by the Board as part of the SCERS Mission Statement was to safeguard confidential information. Mr. Stensrud explained that the proposed Privacy and Confidentiality Policy (Policy) is intended to reflect SCERS' commitment to this principle by setting forth not only the key concepts associated with such efforts, but also SCERS' objectives, expectations and practices in the protection of confidential information. Mr. Stensrud noted that in most instances the proposed Policy memorializes measures already being practiced by SCERS, but in some areas the proposed Policy expands current practice by articulating performance standards for such measures. Mr. Stensrud also noted that the proposed Policy goes beyond current practice by requiring written acknowledgment of an agreement to adhere to SCERS' privacy and confidentiality rules by the SCERS Board, staff and third parties who do business with or on behalf of SCERS.

Motion by Mr. DeVore to adopt the proposed Privacy and Confidentiality Policy; Seconded by Ms. Wolford-Landers. Motion carried (9-0).

11. General Counsel James Line presented the annual report on the processing of applications for disability retirement benefits.

Mr. Line noted that the new procedures approved by the SCERS Board in early 2008 appeared to be accomplishing their objectives of improving the efficiency and enhancing the fairness of disability determinations. Mr. Line noted that the processing time in bringing applications to decision was decreasing and that more decisions were being made on recommendation of staff rather than by a referee after a hearing. Mr. Line further noted, however, that he believed that there was room for improved efficiency with respect to referring applicants for evaluation by an independent medical examiner (IME) and referring and scheduling applications for hearing.

**ADMINISTRATIVE MATTERS (continued):**

Mr. Stensrud commended Mr. Line for his efforts in revising the disability procedures and commended staff for their hard work in processing disability applications. Mr. Johnson echoed the comments, noting that he had received reports indicating that the disability assessment process had been improved.

Motion by Mr. Johnson to receive and file the report; Seconded by Ms. Wolford-Landers. Motion carried (9-0).

**INVESTMENT MATTERS:**

12. Chief Investment Officer Jeffrey States presented a recommendation that SCERS not support a proposed amendment to the investment period in the value-added real estate investment engagement with AEW Value Investors II, L.P. (AEW).

Mr. States described the investment strategy for the fund, noting that the initial investment period expires in March 2010, with three one-year extensions possible. Mr. States noted that thus far AEW had only called 39% of the capital committed by SCERS, and only 53% of the total capital committed to the fund.

Mr. States explained that while the slow draw-down of capital was understandable given the problems in the commercial real estate market, he did not believe that AEW had provided a compelling argument for the need to extend the investment period at this time rather than closer to the expiration date. Mr. States noted that AEW was not offering any incentives to investors for making the decision now even though it would be beneficial to AEW to be able to lock up investor capital. Mr. States noted that Mercer Investment Consulting agreed that it was pre-mature to extend the investment period.

Discussion followed.

Motion by Mr. DeVore to not consent to the proposed amendment; Seconded by Ms. Wolford-Landers. Motion carried (9-0).

The meeting was adjourned at 2:40 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Keith DeVore, John Kelly, Dave Irish, Winston H. Hickox, William D. Johnson, Nancy Wolford-Landers, Robert Woods and John Conneally.

MEMBERS ABSENT: Alice Jarboe and William Cox.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; Jeffrey W. States, Chief Investment Officer; James G. Line, General Counsel; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager and Julie Rucker, Senior Personnel Specialist.

**MINUTES – JULY 16, 2009**

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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.