



Executive Staff:

Richard Stensrud
Chief Executive 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, First Vice President
Elected by Miscellaneous Members

John B. Kelly, Second Vice President
Appointed by the Board of Supervisors

Julie Valverde, Ex Officio
Director of Finance

Winston H. Hickox
Appointed by the Board of Supervisors

William D. Johnson
Elected by Safety Members

Kathy O'Neil
Elected by Miscellaneous Members

Nancy Wolford-Landers
Elected by Retired Members

Robert L. Woods
Appointed by the Board of Supervisors

John Conneally
Elected by Safety Members

William Cox
Elected by Retired Members

MINUTES

RETIREMENT BOARD MEETING, THURSDAY, MAY 20, 2010

The special meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 18th Floor, Sacramento, California, on Thursday, May 20, 2010, and commenced at 10:04 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the March 18, 2010 and April 15, 2010 regular meetings were deferred.

CONSENT MATTERS:

Items 3-5; 7-12

The Consent matters were acted upon as one unit upon a Motion by Ms. Wolford-Landers; Seconded by Mr. Kelly. Motion carried (7-0). Item 6 was removed from the Consent calendar and addressed in Closed Session.

3. GAREY, Gerald: Granted a nonservice-connected disability retirement.
4. HONG, Kane K.: Granted a nonservice-connected disability retirement.

5. LONG, Mary M.: Granted a nonservice-connected disability retirement.
6. TSUCHIDA, Michael S.: Moved to the Closed Session, Disability Matters.
7. Approved amendment to the contract with Nossaman LLP to provide real estate-related legal services. SCERS Resolution 2010-06.
8. Approved agreement with Nossaman LLP to provide employment-related legal services. SCERS Resolution 2010-07.
9. Approved agreement with Nossaman LLP to provide litigation-related legal services. SCERS Resolution 2010-09.
10. Approved SCERS Resolution 2010-08 to authorize proxies to represent SCERS in connection with its real estate title holding companies.
11. Received and filed Selected Fees and Costs for Outside Legal Services for the quarter ended March 31, 2010.
12. Received and filed the April 2010 Monthly Investment Manager Compliance Report and Watch List.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

13. Representatives of Eagle Asset Management, Allianz Global Investors and Turner Investment Partners made presentations regarding the qualifications of their firms for an engagement to manage a U.S. Equity Small Cap Growth portfolio.

The presentations included an overview and distinguishing characteristics of each firm; a summary of their investment strategy and process; portfolio characteristics and performance; discussion of the qualifications and experience of their investment teams; and a fee proposal.

Discussion followed, including consideration of: (a) the distinctions between the investment approach of the firms; (b) the likelihood that the respective strategies would outperform the benchmark; (c) the depth of the respective investment teams; (d) the risk management protocols of the firms; and (e) how each firm complemented SCERS' existing manager in the U.S. Equity Small Cap Growth area.

Mr. Hickox offered a Motion to authorize engagement of Turner Investment Partners. The motion failed for lack of a second. After further discussion, Mr. Hickox re-offered his Motion to hire Turner Investment Partners to manage a U.S. Equity Small Cap Growth portfolio; Seconded by Mr. Woods. Motion carried (8-0).

14. David Kaposi of Mercer Investment Consulting made an educational presentation regarding potential infrastructure investment opportunities.

Mr. Kaposi provided an overview of the infrastructure investment market, including: (a) the types or areas of infrastructure investments; (b) the increasing need for infrastructure investment; (c) the attributes of infrastructure investments (e.g., monopoly-like assets, captive customer base, pricing power, low volatility of cash flow, and high probability of distributions); (d) the return expectations from infrastructure assets; (e) the risks associated with infrastructure investments; (f) infrastructure investment structures; and (g) the evolution of the infrastructure investment market.

Discussion followed, including consideration of the capacity for infrastructure investments to: (1) enhance the diversification and reduce the risk in SCERS' investment portfolio; (2) provide protection against inflation and economic cyclicalities; and (3) provide stable returns across market environments. Discussion also took place regarding the longer investment period for infrastructure investments and the importance of factoring that into consideration of SCERS' liquidity needs.

It was the consensus of the Board that investments in infrastructure merited further consideration and that Mercer and the Staff should move forward to identify potential investment opportunities and return to the Board with a plan for integrating infrastructure investments into SCERS' portfolio.

No action was taken.

CLOSED SESSION:

DISABILITY MATTERS:

6. Moved from Consent Matters at the request of Mr. Johnson and Mr. Conneally.

TSUCHIDA, Michael S.: Adopted the findings and recommendation of the referee and denied a service-connected disability retirement. Motion carried (6-2), with Mr. Johnson and Ms. O'Neil dissenting.

LEGAL MATTERS:

15. 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

The Board consulted with counsel.

16. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
SC East Campus, Inc. vs. Weyerhaeuser Company
Superior Court of Washington in and for King County, Case No. 08-14127-6 KNT

The Board consulted with counsel.

17. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
Sacramento Bee et al. vs. SCERS
Superior Court of Sacramento County, Case No. 34-2010-80000514

The Board consulted with counsel.

18. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
Government Code Section 54956(a)
Stephen Dickerson vs. SCERS
Superior Court of Sacramento County, Case No. 34-2008-80000057

The Board received a report from counsel and voted to implement the order of the court awarding a disability retirement.

OPEN SESSION:

INVESTMENT MATTERS:

19. Tom Lightvoet of Mercer Investment Consulting presented the Investment Performance Report for the Quarter Ended March 31, 2010.

Mr. Lightvoet reported on the investment performance for the most recent quarter as well as for the trailing one, three, five and since-inception time periods. Mr. Lightvoet reported on the investment return results for the total fund, each asset class and sub-asset class in SCERS' strategic asset allocation, and for each investment portfolio. In addition, Mr. Lightvoet reported on: (1) a comparison of performance to the appropriate fund, asset class and individual manager benchmarks; (2) peer group rankings; (3) performance attribution; (4) risk analysis; and (5) recommendations by Mercer.

Mr. Lightvoet reported that the total Fund return for the quarter, including the impact of the overlay program, was 3.6%, which was above the return of the total fund benchmark. Mr. Lightvoet noted that each of the major asset classes had positive performance for the quarter except for real estate. Mr. Lightvoet explained that the largest drivers of the outperformance were the opportunities, domestic fixed income and domestic equity segments. In addition, the overlay program contributed positive results.

Mr. Lightvoet noted that the total fund return for the fiscal year to-date was 19.9%, which was 1.6% better than the total fund benchmark. Mr. Lightvoet reported that notwithstanding the strong recent returns, because of the extremely poor returns over the

previous two years, the annualized total fund return for three years was -2.2% and the annualized total fund return for five years was 3.7%. Mr. Lightvoet noted, however, that the total fund return of 8.2% since the inception of Mercer's data in July of 1986 was higher than SCERS' actuarial earnings assumption of 7.875%.

Mr. Lightvoet reported that Mercer was recommending that LSV Asset Management (International Large Cap Equity Value) and Capital Guardian Trust (International Large Cap Equity Growth) be added to the Watch List. Mr. Lightvoet explained that the recommendation regarding LSV was based on performance concerns and that the recommendation regarding Cap Guardian was due to performance concerns and the strategy's large asset base.

Mr. Lightvoet reported that Mercer had recommended that AXA Rosenberg (International Small Cap Equity) be terminated and that on May 3, 2010 SCERS had terminated its engagement with the firm.

Discussion followed.

Motion by Mr. Woods to receive and file the quarterly performance report; Seconded by Mr. Hickox. Motion carried (8-0).

ADMINISTRATIVE MATTERS:

20. 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 a retirement planning seminar focused on late-career employees had been conducted in April, with more than one hundred people in attendance.

Mr. Stensrud provided an update on the search for potential locations for SCERS' administrative offices.

Mr. Stensrud reported that an error had been discovered in the interest rate being charged on certain service credit purchases. Mr. Stensrud reported that the error had impacted a very small number of service purchases and had resulted in a very small under-collection of interest in those purchases. Mr. Stensrud noted that the error had been corrected.

Mr. Stensrud provided an update on the discounted pay-off of the loan on a real estate investment property in Florida and on the re-financing of a loan on a real estate investment property in Washington, D.C.

Mr. Stensrud provided an update on the termination of AXA Rosenberg and the transition and management of the assets pending completion of the search for a replacement manager.

Mr. Stensrud provided a report on the recent State Association of County Retirement Systems (SACRS) spring conference and invited Board members who attended the conference to share their impressions as well.

Mr. Stensrud provided an update on pending state legislation that could impact SCERS, including AB 1987 (Pension Spiking), AB 1743 (Placement Agents) and AB 2337 (Predatory Investment Practices).

Mr. Stensrud provided a report on his testimony before the Little Hoover Commission regarding public employee pensions.

Mr. Stensrud advised the Board that Staff was working on a forward-looking cash flow analysis that would include consideration of increasing benefit payments (due to higher retirement levels associated with the 'baby boom' population), a reduced workforce (due to contraction caused by the economic downturn) and the liquidity needs and constraints of SCERS' investment program. Mr. Stensrud also advised the Board that Staff was preparing a comprehensive analysis of the private markets component of the investment portfolio, which would include a complete analysis of the existing asset classes and class structure, liquidity considerations and a liquidity budget, and a strategic investment plan by asset class and for the private market space generally.

Mr. Stensrud provided an update on the recruitment of a new Chief Investment Officer.

The meeting was adjourned at 3:30 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Keith DeVore, John B. Kelly, Winston H. Hickox, William D. Johnson, Kathy O'Neil (arrived at 10:38 a.m.), Nancy Wolford-Landers, Robert L. Woods, John Conneally, and William Cox.

MEMBERS ABSENT: Julie Valverde.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; James G. Line, General Counsel; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Suzanne Likarich, Retirement Services Manager; Julie Rucker, Senior Personnel Specialist; Julia Jarvis, Paralegal; Diana Ruiz, Deputy County Counsel; David Kaposi, Tom Lightvoet and Diana Greenstone, Mercer Investment Consulting; John T. Kennedy, Nossaman LLP; Bert L. Boksen and Nancy Clark, Eagle Asset Management; Michael Corelli and Clifton Wedington, Allianz Global Investors; Scott S. Eversole and William McVail, Turner Investment Partners.

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.