M I N U T E S

RETIREMENT BOARD MEETING, TUESDAY, NOVEMBER 17, 2009

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 Tuesday, November 17, 2009, and commenced at 11:04 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

ADMINISTRATIVE MATTERS:

2. Chief Executive Officer Richard Stensrud introduced Paul Angelo and Andy Yeung of The Segal Company who presented the SCERS Actuarial Valuation and Review as of June 30, 2009.

   Mr. Stensrud noted that the actuarial valuation as of June 30, 2009 represents the first manifestation of the impact of the extended, substantial downturn in the investment markets on employer contribution rates and the funded status of the plan. Mr. Stensrud further noted that the negative impact of the market downturn is expected to continue for several years unless and until the investment earnings shortfall has been made up and the markets resume providing their historic level of returns.

   Mr. Stensrud reminded the Board that at the September Board Meeting The Segal Company presented information regarding whether it would be reasonable and prudent to modify the asset smoothing period and market value corridors utilized in conducting the annual valuation. Mr. Stensrud noted that after assessing the options, and with the endorsement of Segal, the Board determined that shifting to a seven year asset smoothing period and 70%/130% market value corridors would: (a) Maintain the sound funded status of the plan; (b) Fairly spread the cost of the plan across present and future stakeholders; and (c) Help manage and mitigate future employer contribution rate volatility in light of the substantial downturn in the investment markets. Mr. Stensrud noted that the actuarial valuation being presented incorporates the revised smoothing period and market value corridors.

Mr. Angelo reported that the determination of the contribution rate for employers is done in two parts – a normal cost and an amount to pay off unfunded liability. Mr. Angelo noted that SCERS' unfunded liability amortization policy is to take the liability as a single layer and pay it off over a declining period, which currently stands at twenty-four years.

Mr. Angelo reported that the aggregate average employer contribution rate increased from 19.15% to 22.38%. Mr. Angelo reported that the cause for the rate increase was due to investment losses, as well as salary increases greater than assumed.

Mr. Angelo reported that the funded ratio of the plan (i.e., the ratio of actuarial value assets to actuarial accrued liability) decreased from 93% to 86%.

Mr. Angelo reported that the member contribution rates remained stable. Mr. Angelo explained that the aggregate member contribution rate only changed because of changes in the demographic make-up of the members, but there is very little change in the individual rates that will be charged to particular members.

Mr. Angelo noted that the investment gains and losses after July 1, 2008 will be recognized over a seven year period and that the smoothing process had been adjusted to a 70/130 corridor instead of an 80/120 corridor. Mr. Angelo explained that this gave the asset smoothing method more room to operate.

Mr. Angelo explained the asset smoothing method and how it is applied to the investment losses of the previous fiscal year. Mr. Angelo showed the effects of asset smoothing in relation to the gains and losses of the previous fiscal years. Mr. Angelo also described the effect on unfunded liability that would result from different corridor levels.

Mr. Stensrud noted that a transition was taking place in the county workforce, in that the workforce was substantially smaller as of June 30, 2009 than it was on June 30, 2008. Mr. Stensrud explained that while it is unclear how much the downsizing trend would continue, the trend is something to watch since as the workforce declines, the ratio of active employees to retirees is altered, which impacts cash flow. Mr. Stensrud also noted that the amortization of unfunded liability is applied to a payroll, and while the actual payroll number has not declined, it is likely to stay flat as opposed to grow at the normal rate. Mr. Stensrud stated that this would likely cause upward pressure on the unfunded liability component of the contribution rate.

Motion by Mr. Johnson to receive and file the actuarial valuation as of June 30, 2009 and adopt the recommended contribution rates; Seconded by Mr. Irish. Motion carried (7-0).

Mr. Angelo also presented an overview of the issues and concerns associated with whether a 'market value liability' (MVL) should be included in the financial reporting for public sector retirement systems. Mr. Angelo explained that the debate regarding MVL had originated in the actuary industry but that the Governmental Accounting Standards Board (GASB) was reviewing the same issues and could eventually require that MVL be reported. Mr. Angelo discussed the key elements of the MVL debate, noting the reasons why MVL was not an appropriate concept for public sector retirement plans and the negative ramifications that could flow from mandating MVL reporting by such plans.

Discussion followed. No action was taken.

The meeting was adjourned at 12:25 p.m.

MEMBERS PRESENT: Keith DeVore, John Kelly, Dave Irish (left at 12:15 p.m.), Winston H. Hickox, Alice Jarboe, William D. Johnson, Robert Woods, and John Conneally.

MEMBERS ABSENT: James A. Diepenbrock, Nancy Wolford-Landers, and William Cox.

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; Thuyet Ziyalan, Accounting Manager; Julie Rucker, Senior Personnel Specialist; and Paul Angelo and Andy Yeung, The Segal Company.

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.