



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

Dave Irish, Director of Finance
Ex-Officio

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 Woods
Appointed by the Board of Supervisors

John Conneally
Elected by Safety Members

William Cox
Elected by Retired Members

MINUTES

RETIREMENT BOARD MEETING, THURSDAY, JANUARY 21, 2010

The regular 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, January 21, 2010, and commenced at 1:03 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

Board President James Diepenbrock welcomed Kathy O'Neil to the Board. Mr. Diepenbrock noted that Ms. O'Neil had recently been elected to the Board by the Miscellaneous members of the system.

Chief Executive Officer Richard Stensrud introduced Scott Chan, who recently joined SCERS as an Investment Officer. Mr. Diepenbrock welcomed Mr. Chan on behalf of the Board.

Mr. Diepenbrock noted that Board Member Dave Irish had announced his retirement and would be leaving the Board. Mr. Diepenbrock read a proposed resolution commending Mr. Irish for his service on the Board.

Motion by Ms. Wolford-Landers to adopt Resolution 2010-01 honoring Dave Irish upon his departure from the Board and congratulating him on his upcoming retirement; Seconded by Mr. Woods. Motion carried (9-0).

MINUTES:

2. The Minutes of the November 17, 2009 special meeting, the November 19, 2009 and December 17, 2009 regular meetings were deferred.

CONSENT MATTERS:

Items 3-11

The Consent matters were acted upon as one unit upon a Motion by Mr. Irish; Seconded by Mr. Kelly. Motion carried (9-0).

3. CAMPBELL, David A., Jr.: Granted a service-connected disability retirement.
4. HAMMES, Tracy A.: Granted a nonservice-connected disability retirement.
5. NICHOLLS, Linda: Granted a nonservice-connected disability retirement.
6. NORTON, Bernard, Sr.: Granted a nonservice-connected disability retirement.
7. WILLIFORD, Shirley A.: Granted a nonservice-connected disability retirement.
8. Approved the request by Metropolitan West Asset Management (MetWest) that SCERS consent to the assignment of the investment management agreements with MetWest due to MetWest's acquisition by Trust Company of the West.
9. Approved amendments to the limited partnership agreement governing SCERS' real estate investment in the Cornerstone Patriot Fund.
10. Received and filed the Asset Allocation and Portfolio Rebalancing Report for the quarter ended December 31, 2009.
11. Received and filed the December 2009 Monthly Investment Manager Compliance Report and Watch List.

CLOSED SESSION:

LEGAL MATTERS:

12. 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.

13. 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.

PUBLIC EMPLOYMENT:

14. Government Code Section 54957(b)(1)
Title: Investment Officer

The Investment Officer position was discussed.

OPEN SESSION:

ADMINISTRATIVE MATTERS:

15. 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 the consumer price index utilized by SCERS in determining the annual cost-of-living adjustment (COLA) for most retiree benefits had finished up by a very slight margin for the year, which meant that there would be a positive base COLA of 0.5%. Mr. Stensrud noted that although the COLA was small, because it was positive it meant that SCERS did not have to deal with the complications associated with implementing a negative COLA.

Mr. Stensrud reminded the Board that the time to complete and submit the annual Form 700 Statement of Economic Interests was upcoming.

Mr. Stensrud reported preliminary information from the quarterly investment performance report that would be presented in February. Mr. Stensrud noted that December was a good month and that the quarter as a whole had been strong. Mr. Stensrud reported that the total fund return for the quarter was 3.52%. Mr. Stensrud also reported that the fiscal year-to-date return was 14.97%. Mr. Stensrud noted that all asset classes performed well, except for real estate.

Mr. Stensrud reported that in spite of some recent improvement, O'Shaughnessy Asset Management (OSAM) still significantly trailed its benchmarks. Mr. Stensrud reported that Mercer Investment Consulting was preparing to begin a manager search for that assignment.

Mr. Stensrud reported on ballot initiatives that had been submitted concerning public employee benefits.

Mr. Stensrud reported on recent stories in the press regarding pension ‘spiking’ and the likelihood that legislation would be introduced to address the perceived problem. Mr. Stensrud noted that any legislative proposals would need to be monitored to see how they might impact the 1937 Act systems.

Mr. Stensrud noted that the California Association of Public Retirement Systems (CALAPRS) General Assembly would be held March 7-9, 2010 in Palm Springs.

16. General Counsel Jim Line made an educational presentation regarding the fiduciary and ethical responsibilities of Board Members. Chief Executive Officer Richard Stensrud noted that Staff would continue to provide information and assistance to the Board on this topic.

Motion by Mr. Woods to receive and file the presentation; Seconded by Mr. Hickox. Motion carried (9-0).

INVESTMENT MATTERS:

17. Tom Lightvoet of Mercer Investment Consulting gave an educational presentation regarding quantitative-based investment management strategies.

Mr. Lightvoet identified the characteristics of a quantitative manager and the various ways quantitative strategies were utilized. Mr. Lightvoet discussed what Mercer Investment Consulting looks for in a quantitative manager and reviewed the advantages and disadvantages of quantitative strategies.

Chief Executive Officer Richard Stensrud noted that the purpose of the presentation was not to suggest that quantitative managers should not be a part of the manager structure, but rather, to help assure that SCERS has appropriate expectations for such managers and that they are properly integrated in the manager structure.

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

18. Chief Executive Officer Richard Stensrud presented a proposal to engage the Mercer Sentinel Group to perform an operational risk assessment on select private market investment opportunities.

Mr. Stensrud noted that a growing portion of SCERS’ funds are being invested in assets held outside of SCERS’ custodian bank. Mr. Stensrud noted that these investments have become a common component of a broadly diversified public fund portfolio and represent an important potential source for the returns necessary to meet the investment earnings target. Mr. Stensrud further noted, however, that such investments present different oversight challenges with respect to assuring that SCERS has a level of transparency, accountability, compliance and valuation comparable to what has with assets held by the custodian bank. Mr. Stensrud explained that he was recommending engagement of the Mercer Sentinel Group to help address those challenges by evaluating the operational and implementation risks associated with a given manager or fund. Mr. Stensrud explained that this was different from assessing the investment risk, which would be the responsibility of

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the investment consultant. Instead, Sentinel would analyze the risks and challenges associated with the investment mandate, firm size and structure, third party or outsourced functions, and the controls that the manager has put in place to address its responsibilities. Mr. Stensrud explained how Sentinel would carry out this assignment and what SCERS would receive in the way of reports and recommendations.

Motion by Mr. DeVore to approve the proposed engagement with the Mercer Sentinel Group; Seconded by Mr. Woods. Motion carried (9-0).

The meeting was adjourned at 3:07 p.m.

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

MEMBERS ABSENT: None.

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; Scott Chan, Investment Officer; Julie Rucker, Senior Personnel Specialist; Tom Lightvoet, Mercer Investment Consulting; Michael Ray, Service Employees International Union (SEIU); David A. Campbell, Jr.; Debra Campbell; and Tracy Hammes.

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.