



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, OCTOBER 15, 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, October 15, 2009, and commenced at 1:04 p.m.

#### OPEN SESSION:

##### PUBLIC COMMENT:

1. Chief Executive Officer Richard Stensrud offered condolences to Board Member William Johnson and his family regarding the passing of Mr. Johnson's father-in-law.

Dolores Kattenhorn addressed the Board regarding her husband's disability retirement application.

##### MINUTES:

2. The Minutes of the June 18, 2009, July 16, 2009, and September 17, 2009 regular meetings were deferred.

##### CONSENT MATTERS:

Items 3-8

The Consent matters were acted upon as one unit upon a Motion by Mr. Kelly; Seconded by Mr. Woods. Motion carried (8-0).

**CONSENT MATTERS (continued):**

3. PARKER, Rex: Granted a service-connected disability retirement.
4. SCHWEDIMANN, Susan: Granted a nonservice-connected disability retirement.
5. WINN, Tassie: Granted a nonservice-connected disability retirement.
6. Adopted positions on legislative proposals and proposed amendments to the Bylaws for the State Association of County Retirement Systems (SACRS) that are being presented for a vote by the SACRS membership at the 2009 SACRS Fall Conference.
7. Received and filed the Asset Allocation and Portfolio Rebalancing Report for the quarter ended September 30, 2009.
8. Received and filed the September 2009 Monthly Investment Manager Compliance Report and Watch List.

**CLOSED SESSION:**

**LEGAL MATTERS:**

9. 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.

**OPEN SESSION:**

**ADMINISTRATIVE MATTERS:**

10. Chief Executive Officer Richard Stensrud provided an update on developments affecting public retirement systems and on miscellaneous system and staff activities.

Mr. Stensrud reported the results of the SCERS Board election. Mr. Stensrud reported that William D. Johnson had been re-elected as the Safety Member representative and John Conneally had been reelected as the Alternate Safety Member representative. Mr. Stensrud reported that Kathy O'Neal had been elected as a Miscellaneous Member representative, and would replace current Board Member Alice Jarboe in January 2010. Mr. Stensrud expressed his congratulations to the election winners and his appreciation to Ms. Jarboe for her outstanding service to SCERS.

**ADMINISTRATIVE MATTERS (continued):**

Mr. Stensrud reported on recent articles in the press regarding placement agent involvement in investment transactions at certain retirement systems.

Mr. Stensrud reported that the Board would be surveyed regarding potential dates for a Special Board Meeting in November for the purpose of receiving the annual actuarial valuation. Mr. Stensrud noted that a Special Meeting would be necessary as The Segal Company had a schedule conflict on the date of the regular November Board Meeting.

Mr. Stensrud noted that SCERS would be conducting a retirement planning seminar focused on late-career employees on November 16<sup>th</sup>. Mr. Stensrud reported that more than two hundred people had signed up for the program.

Board President James A. Diepenbrock read a proposed resolution recognizing the contributions to SCERS made by Chief Investment Officer Jeffrey States on the occasion of his retirement. Motion by Mr. Woods to approve Resolution 2009-18 honoring Chief Investment Officer Jeffrey States on the occasion of his retirement; Seconded by Ms. Jarboe. Motion carried (8-0).

11. Chief Executive Officer Richard Stensrud presented a proposed plan for management of SCERS' investment program during the recruitment of a new Chief Investment Officer and recommendations for certain elements to implement the plan.

Mr. Stensrud provided an overview of the proposed interim plan for management of the investment program. Mr. Stensrud explained that the plan was based on a comprehensive breakdown of the functions and duties that need to be addressed in the investment program, and that a proposed method for addressing each of the identified functions and duties was then developed. Mr. Stensrud explained that the functions and duties would be largely addressed through the combined efforts of internal staff and expanded assistance from general investment consultant Mercer Investment Consulting. Mr. Stensrud further noted that he was recommending that SCERS draw upon some additional analytic services available from State Street, SCERS' custodian bank.

Mr. Stensrud noted that discussions were underway with Mercer and State Street with respect to possible additional services and that he would return to the Board with cost and contract information.

Mr. Stensrud recommended that the recruitment for the new internal Investment Officer continue notwithstanding that the Chief Investment Officer (CIO) position would be vacant for several months. Mr. Stensrud acknowledged that it would be preferable to have the CIO as part of the hiring decision, but noted that it was very common for staff to be in place when a CIO takes office. Mr. Stensrud explained that capable, experienced staff can assist a new CIO in getting up to speed more quickly and noted that he believed there would be a strong candidate pool for the Investment Officer position and that SCERS could find a person who could make a valuable contribution to the interim management of the

**ADMINISTRATIVE MATTERS (continued):**

investment program. Mr. Stensrud noted, however, that if the Investment Officer candidate pool was not as strong as he anticipated, recruitment for the position would be suspended and then re-initiated after the new CIO was hired.

Mr. Stensrud recommended that SCERS engage a professional search firm to conduct a national search for the new CIO. Mr. Stensrud noted that to be successful at such a search, the firm would have to: (a) Be knowledgeable about public pension funds and the environment in which we operate; (b) Understand SCERS investment program, including how it functions and have the knowledge, skills and experience required to lead such a program; (c) Know where to look to find suitable candidates for such an assignment; and (d) Have recently conducted searches for comparable positions, on a nationwide basis, and thus have a broad, current database of potential candidates to draw upon.

Mr. Stensrud noted that he believed there was a small number of firms who met those criteria and requested that the Board authorize him to interview, select and engage a firm to conduct the search.

Mr. Stensrud recommended that the primary basis for identifying the attributes of the optimal candidate for the CIO position should be the functional job description for the CIO that had been approved by the Board and the analysis behind the decision by the Board to expand the internal investment staff. Mr. Stensrud explained that those materials would provide a good description of the roles and responsibilities of the CIO position, as well as the 'vision' SCERS is working toward with respect to the investment program.

Discussion followed.

Mr. Stensrud described the proposed process for the evaluation and selection of the new CIO. Mr. Stensrud noted that while the CIO is appointed by and reports to the Chief Executive Officer, it was critical that the Board be comfortable with and have a high level of trust and confidence in the person in the position. Mr. Stensrud recommended, therefore, that the Board participate in the final stages of the selection process, including having the opportunity to interview the finalists for the position.

Discussion followed and it was agreed that the Board's assessment of the finalists for the CIO position would include an opportunity to interact in a social setting as well as a formal interview.

Motion by Mr. Kelly to: (a) Endorse the proposed plan for interim management of SCERS' investment program and authorize the Chief Executive Officer to move forward with implementation of the plan; and (b) Authorize the Chief Executive Officer to engage a search firm to assist with the recruitment of a new Chief Investment Officer. The Motion was seconded by Mr. Irish. Motion carried (8-0).

**ADMINISTRATIVE MATTERS (continued):**

12. Board President James A. Diepenbrock presented a report and recommendation regarding the engagement of a real estate professional to assist with identifying options for addressing SCERS' administrative office space needs.

Mr. Diepenbrock explained that the Board Sub-Committee appointed to work with staff on developing recommendations regarding how to address SCERS' office space needs had interviewed five potential candidates for serving as SCERS' real estate broker and advisor. Mr. Diepenbrock noted that all the candidates were very capable, but that the Sub-Committee and staff had determined that it was important that the party assisting SCERS only represent prospective tenants or buyers of office space and not also represent landlords and/or the sellers of office space. Mr. Diepenbrock noted that this consideration, combined with high rankings in other important attributes, had lead the Sub-Committee to recommend the engagement of Chris Strain, with Cushman & Wakefield, as SCERS real estate broker.

Motion by Mr. Woods to authorize the engagement of Chris Strain of Cushman & Wakefield as SCERS real estate broker; Seconded by Mr. Cox. Motion carried (8-0).

**INVESTMENT MATTERS:**

13. Karen Jacobs and Yolanda Ruiz of State Street Bank and Trust Company presented an overview and report on the custodial banking services provided by the firm and the proposed new fee schedule for those services. Ms. Jacobs and Ms. Diaz noted that while the investment activity for SCERS handled by State Street had increased substantially since the last time that the fee schedule had been set in 2007, State Street was proposing no increase in fees and instead was proposing that fees be rolled back to the original 2007 levels. Ms. Jacobs and Ms. Diaz also noted that the proposed fee schedule included a change in the splitting of fees related to securities lending which would be beneficial for SCERS.

Chief Investment Officer Jeffrey States reported that the fee proposal compared favorably to industry averages and to the fees being paid by other 1937 Act retirement systems. Mr. States noted that State Street is the largest provider of custodian services in the world and that their analytic services are ranked highly. Mr. States also noted that State Street had done a good job as SCERS' custodian, including in the area of securities lending. Mr. States therefore recommended that the Board approve the proposed fee schedule. Mr. States further noted that with the expansion of functions and services provided by State Street over the years, it would be advisable to re-craft the contract with State Street to properly reflect the contractual engagement.

John Powell with the securities lending program at State Street provided an update on the program. Mr. Powell explained that the valuation issues in the collateral investment pool were being worked out consistent with the plan that had been outlined for the Board in the spring and that no investors in the collateral investment pool utilized by SCERS had suffered any losses.

**INVESTMENT MATTERS (continued):**

Discussion followed regarding the appropriate manner for financial reporting of the value of the collateral investment pool.

Motion by Mr. DeVore to approve the new fee schedule; Seconded by Mr. Woods. Motion carried (8-0).

The meeting was adjourned at 2:24 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Keith DeVore, John Kelly, Dave Irish (arrived at 1:17 p.m.), Winston H. Hickox (arrived at 1:05 p.m.), Alice Jarboe, Robert Woods, John Conneally, and William Cox.

MEMBERS ABSENT: William D. Johnson and Nancy Wolford-Landers.

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; Thuyet Ziyalan, Accounting Manager; Julie Rucker, Senior Personnel Specialist; Diana Ruiz, Deputy County Counsel; Tom Lightvoet, Mercer Investment Consulting; John Powell, Karen Jacobs, and Yolanda Diaz, State Street; and Dolores Kattenhorn.

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.