



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, 1st Vice President
Elected by Miscellaneous Members

John B. Kelly, 2nd 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, NOVEMBER 19, 2009

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, November 19, 2009, and commenced at 1:00 p.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the June 18, 2009, July 16, 2009, September 17, 2009, and the October 15, 2009 regular meetings were deferred.

CONSENT MATTERS:

Items 3-7

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

3. DILLER, Marion C.: Granted a nonservice-connected disability retirement.
4. MOUNTJOY, Cheryl Y.: Granted a nonservice-connected disability retirement.

5. LYONS, James R.: Adopted the findings and recommendation of the referee and denied service-connected disability retirement.
6. Received and filed the Selected Fees and Costs for Outside Legal Services for the quarter ended September 30, 2009.
7. Received and filed the October 2009 Monthly Investment Manager Compliance Report and Watch List.

CLOSED SESSION:

LEGAL MATTERS:

8. 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.

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.

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

The Board consulted with counsel.

OPEN SESSION:

Attorney Jesse Kaplan addressed the Board to comment upon the denial of Mr. Lyon's disability retirement. Deputy County Counsel Diana Ruiz also commented.

ADMINISTRATIVE MATTERS:

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

Mr. Stensrud noted that approximately one year ago, modifications were made to the disability review process. Mr. Stensrud also noted that recently the General Counsel had provided the Board with an update on the effects of the modifications. Mr. Stensrud

reported that the review of the disability review process was an ongoing task and that all parts of the process were being examined for areas of improvement.

Mr. Stensrud reported that the search for an Investment Officer was in process and that eighteen applicants met the minimum qualifications for the positions. Mr. Stensrud noted that the candidate review process would proceed with preliminary interviews.

Mr. Stensrud reported that Staff was developing search criteria for the Chief Investment Officer position and would be compiling a short list of professional search firms to potentially use in the search.

Mr. Stensrud reported that Staff was proceeding with implementation of the interim investment management plan. Mr. Stensrud noted that he had been in contact with all of SCERS' investment managers to ensure that the managers were aware of the communication process they should be using. Mr. Stensrud also reported that he has been meeting with the managers, either by phone or in person, and will continue to do so over the coming months. Mr. Diepenbrock requested that the Board be notified of future in-person meetings so that individual Board Members could attend for fiduciary educational purposes.

Mr. Stensrud reported that CalPERS and CalSTRS had filed suit against State Street Bank, alleging that State Street acted improperly with respect to an element of their custodian banking services, specifically the way State Street administered their foreign currency exchange trading. Mr. Stensrud noted that SCERS is monitoring the suit and talking to other 1937 Act systems regarding the issues raised by the suit in order to determine whether the allegations were applicable to the services SCERS receives from State Street.

Mr. Stensrud reported that an actuarial audit would be warranted soon. Mr. Stensrud noted that the last audit occurred when SCERS transitioned actuarial services from Mercer to Segal in 2004. Mr. Stensrud suggested that it would be appropriate to perform such an audit after the next triennial experience study was completed in early 2011.

Mr. Stensrud reported on the recent State Association of County Retirement Systems (SACRS) Fall Conference. The Board Members who attended agreed that the conference was beneficial and informative.

Mr. Stensrud reported that a task force had been assembled to address federal tax law compliance issues for the 1937 Act systems. Mr. Stensrud stated that this task force would be proposing necessary statutory changes and developing model regulations that can be adopted by retirement systems. Mr. Stensrud noted that a first stage analysis had already been completed.

Mr. Stensrud reported that the search for space for SCERS' administrative offices was continuing. Mr. Stensrud noted that recently a drive-time analysis for employees was completed, which showed that the proposed alternative areas all produced approximately the same overall drive times. Mr. Stensrud stated that office space needs for the present and future were currently being assessed.

Mr. Stensrud reported on a recent correspondence from Cornerstone Real Estate Advisors announcing that they would be adding the real estate finance group from Babson Capital Management to the organization. Mr. Stensrud noted that both Cornerstone and Babson Capital Management were subsidiaries of Massachusetts Mutual Life Insurance Company. Mr. Stensrud also noted that the correspondence announced that Cornerstone would be acquiring a real estate advisory firm based in Europe. Mr. Stensrud reported that Cornerstone viewed these moves as positive.

Mr. Stensrud noted that the Board had previously adopted a post-retirement employment policy which gave retirees two options to work after retirement, either as a retired annuitant or as an independent contractor. Mr. Stensrud reported that the County Board of Supervisors was in the process of adopting a third option for post-retirement employment under the 1937 Act. Mr. Stensrud explained that this third option would allow a retiree to 'un-retire,' whereby their current benefit would be suspended and the person would return to work as a regular, full-time employee. Mr. Stensrud further explained that person would begin accruing a new retirement benefit based on the new employment. Mr. Stensrud stated that once this member retired again, the original benefit would resume, with the addition of the standard adjustments for cost of living that were applicable during the period of re-employment, and the member would also receive a new benefit for the new service accrued during the period of re-employment.

Mr. Stensrud reported that Staff was monitoring the Consumer Price Index (CPI) to see how it would affect the next cost of living adjustment (COLA) for retiree benefit allowances. Mr. Stensrud explained that the CPI to-date was pointing to little to no COLA for the year, and might even yield a negative COLA. Mr. Stensrud noted that options for addressing a possible negative COLA were being analyzed.

INVESTMENT MATTERS:

12. Tom Lightvoet of Mercer Investment Consulting presented the Investment Performance Report for the Quarter Ended September 30, 2009.

Mr. Lightvoet reported on the investment performance by asset class, sub-asset class and by each investment manager for the most recent quarter and for the trailing one, three and five year periods. Mr. Lightvoet provided information regarding performance to applicable benchmarks and performance attribution.

Mr. Lightvoet reported promising market gains over the previous quarter. Mr. Lightvoet noted that domestic equities, fixed income, and international markets all showed excellent returns.

Mr. Lightvoet reviewed historical gold investment data which questioned the potential of gold as a strong investment.

Mr. Lightvoet noted that the overlay program produced positive results over the past quarter due to the strong equity market.

MINUTES – NOVEMBER 19, 2009

PAGE 5

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

The meeting was adjourned at 3:45 p.m.

MEMBERS PRESENT: James A. Diepenbrock, Keith DeVore (arrived at 1:10 p.m.), John Kelly, Dave Irish, Alice Jarboe, William D. Johnson, Nancy Wolford-Landers (left at 3:17 p.m.), Robert Woods, John Conneally, and William Cox.

MEMBERS ABSENT: Winston H. Hickox.

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; Diana Ruiz, Deputy County Counsel; Tom Lightvoet, Mercer Investment Consulting; Jeff Woods; Jesse Kaplan; and James Lyons.

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.