



Members of the Board of Retirement

James A. Diepenbrock, President
Appointed by the Board of Supervisors

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

Keith DeVore
Appointed by the Board of Supervisors

Richard B. Fowler II
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

Kathy O'Neil
Elected by the Miscellaneous Members

Chris A. Pittman
Elected by the Safety Members

Julie Valverde
Ex Officio, Director of Finance

Nancy Wolford-Landers
Elected by the Retired Members

John Conneally
Elected by the Safety Members

Michael DeBord
Elected by the Retired Members

Executive Staff:

Richard Stensrud
Chief Executive Officer

Scott Chan
Chief Investment Officer

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

MINUTES

RETIREMENT BOARD MEETING, WEDNESDAY, MAY 8, 2013

A special meeting of the Retirement Board was held in the Sacramento County Employees' Retirement System Administrative Office, 980 9th Street, 19th Floor, Sacramento, California, on Wednesday, May 8, 2013, and commenced at 10:00 a.m.

OPEN SESSION:

PUBLIC COMMENT:

1. None heard.

MINUTES:

2. The Minutes of the April 17, 2013 regular meeting were approved on Motion by Mr. Kelly; Seconded by Mr. DeVore. Motion carried (7-0).

CONSENT MATTERS:

Items 3-12

The Consent matters were acted upon as one unit upon a Motion by Ms. Gin; Seconded by Ms. DeBord. Motion carried (7-0).

3. **BUSTOS, Dennis R.**: Granted a nonservice-connected disability retirement.

CONSENT MATTERS (continued):

4. DAWSON, Michael L.: Granted a service-connected disability retirement.
5. MARTELL, Sheri A.: Granted a service-connected disability retirement.
6. QUACH, Nancy: Denied both a service-connected disability retirement and a nonservice-connected disability retirement.
7. Received and filed Selected Fees and Costs for Outside Legal Services for the Quarter Ended March 31, 2013.
8. Approved the proposed items to be voted on by the membership at the SACRS Spring Conference.
9. Approved the proposed amendment to the investment parameters for the international equity engagement with William Blair & Company, LLC.
10. Received and filed the Portfolio Re-Balancing Report for the Quarter Ended March 31, 2013.
11. Received and filed the Trading Cost Report for the Quarter Ended March 31, 2013.
12. Received and filed the April 2013 Monthly Investment Manager Compliance Report and Watch List.

ADMINISTRATIVE MATTERS:

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

Mr. Stensrud congratulated John Kelly on his reappointment to the SCERS Board. Mr. Stensrud also noted that Mr. Kelly will be a candidate for re-election to the State Association of County Retirement Systems (SACRS) Board at the SACRS Spring Conference which is scheduled for May 13 – 17.

Mr. Stensrud reported that SCERS had received two responses to the request for proposals (RFP) for independent audit services. Mr. Stensrud noted that the responses came from Macias Gini & O'Connell, who has performed SCERS' audit since 2000, and Brown Armstrong, who was the other finalist during the last RFP. Mr. Stensrud stated that the RFP review committee would convene soon to review the responses.

ADMINISTRATIVE MATTERS (continued):

Mr. Stensrud reported that SCERS Investment Staff recently closed a \$20 million private equity commitment with Marlin Equity IV, L.P.

Mr. Stensrud reported that SCERS Investment Staff was moving to finalize two other engagements: The global fixed income mandate with Brandywine Global Investment Management, LLC and the hedge fund replication engagement with AQR Capital. Mr. Stensrud stated that the funding of these engagements would occur in mid-May.

Mr. Stensrud reported that SCERS Investment Staff was about to begin due diligence on core comingled real estate funds.

Mr. Stensrud reported that the asset transition previously approved by the Board was underway and was expected to be completed by end of the day on Thursday, May 9.

Mr. Stensrud reported that SCERS had recently seen an increase in the number of Public Record Act requests, not only from the press, but also from people within the investment industry endeavoring to obtain information about what their competitors are doing. Outside Counsel Lance Kjeldgaard stated that these requests are labor intensive as the requestors are essentially data mining. Mr. Kjeldgaard noted that the increase in requests is happening at other retirement systems, not just SCERS. Mr. Kjeldgaard stated that the requestors are often firms who lose out on the competitive process to get SCERS' contract work and that these firms are asking to see their competitor's information. Mr. Kjeldgaard noted that SCERS is able to bill for direct copying costs, which currently is \$0.25 per page, but that labor costs can only be included if that data being requested does not currently exist and Staff needs to assemble the data. Discussion followed.

Mr. Stensrud noted that the IFE Market Makers conference would be held June 26 – June 28 in Dana Point and that the SACRS Public Pension Investment Management Program would be held July 28 – July 31 at U.C. Berkeley.

INVESTMENT MATTERS:

14. Pete Keliuotis of Strategic Investment Solutions presented the Investment Performance Report for the Quarter Ended March 31, 2013.

Mr. Keliuotis reported that the Total Fund (TF) return for the first quarter, including the impact of the overlay program, was 5.4% gross of fees. The TF return was 1.8% above the policy index benchmark return of 3.6% and 0.6% above the allocation index return of 4.8%. The overlay program had a positive impact of 0.6% during the quarter.

INVESTMENT MATTERS (continued):

Mr. Keliuotis reported that on a comparative basis, the return for the quarter was 0.5% above the Public Funds \$1+ Billion Median return of 4.9%. The TF return ranks in the 29th percentile in the InvestorForce Universe, which is the ranking universe used by SIS. All major asset classes experienced positive returns for the quarter.

Mr. Keliuotis reported that at the asset class level, quarter outperformance occurred, gross of fees, in the international equity, domestic fixed income, hedge fund, private equity, and opportunistic segments. Underperformance occurred in the domestic equity and real assets segments.

Mr. Keliuotis reported that, for fiscal year-to-date (YTD), the TF return gross of fees, including the impact of the overlay program is 13.2%, which is 3.3% above the return of the policy index of 9.9% and 0.9% above the allocation index return of 12.3%. The TF fiscal YTD return is 1.1% above the Public Funds \$1+ Billion Median return of 12.1%, and ranks in the 20th percentile in the InvestorForce Universe, which is the ranking universe used by SIS.

Mr. Keliuotis reported that at the asset class level, fiscal YTD outperformance versus the policy benchmark has occurred, gross of fees, in all segments of the portfolio, which includes domestic equity, international equity, domestic fixed income, hedge fund, private equity, real assets, and opportunistic.

Mr. Keliuotis reported that the annualized TF return gross of fees for three years of 9.7% is 0.4% above the policy index benchmark for the same period. The annualized TF return gross of fees for five years of 4.2% is 0.1% below the policy index benchmark for the period. The TF gross of fees return of 8.5% since the inception of SIS' data in June of 1986 is 0.2% below the Total Benchmark return of 8.7% for the period.

Motion by Mr. Fowler to receive and file the quarterly report and to approve the recommendations made in the presentation; Seconded by Mr. Kelly. Motion carried (8-0).

The meeting was adjourned at 10:27 a.m.

MEMBERS PRESENT: James A. Diepenbrock, John B. Kelly, Keith DeVore, Richard B. Fowler II (arrived at 10:02 a.m.), Diana Gin, Julie Valverde, John Conneally, and Michael DeBord.

MEMBERS ABSENT: Kathy O'Neil, Chris A. Pittman, and Nancy Wolford-Landers.

OTHERS PRESENT: Richard Stensrud, Chief Executive Officer; Scott Chan, Chief Investment Officer; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Steve Davis, Deputy Chief Investment Officer; Suzanne Likarich, Retirement Services Manager;

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Bharat Indurkar, Investment Officer, John Lindley, IT Administrator; Lance Kjeldgaard, Outside Counsel; Pete Keliuotis, Strategic Investment Solutions, Inc; and Eunice C. Majam-Simpson, Nossaman LLP.

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.