



**SACRS**  
 State Association of County Retirement Systems  
*Staff \* Trustees \* Affiliates \* Success*  
 A California Non Profit Corporation

# SACRS SPRING CONFERENCE 2008

## SACRS FALL CONFERENCE WHAT'S *new*

- |                     |                    |                       |                      |
|---------------------|--------------------|-----------------------|----------------------|
| <b>ALAMEDA</b>      | <b>LOS ANGELES</b> | <b>SACRAMENTO</b>     | <b>SANTA BARBARA</b> |
| <b>CONTRA COSTA</b> | <b>MARIN</b>       | <b>SAN BERNARDINO</b> | <b>SONOMA</b>        |
| <b>FRESNO</b>       | <b>MENDOCINO</b>   | <b>SAN DIEGO</b>      | <b>STANISLAUS</b>    |
| <b>IMPERIAL</b>     | <b>MERCED</b>      | <b>SAN JOAQUIN</b>    | <b>TULARE</b>        |
| <b>KERN</b>         | <b>ORANGE</b>      | <b>SAN MATEO</b>      | <b>VENTURA</b>       |

## ALAMEDA COUNTY

### ADMINISTRATION

#### Board Election Results

The election results for the Third, Seventh, and Eighth Seats on ACERA's Board of Retirement were determined on December 20, 2007. In summary, Mr. Trevor S. White will retain the Third Seat representing the General Members. Mr. Dale E. Amaral will retain the Seventh Seat and Mr. Darryl L. Walker will retain the Alternate Seventh Seat representing the Safety members. Ms. Liz Koppenhaver will fill the Eighth Seat and Mr. David Safer will fill the Alternate Eighth Seat representing the Retired Members.

### BENEFITS

ACERA will provide a new member statement for year ending 2007. The statement will provide retirement allowance estimates and the value of Ventura benefits.

The new Active and Deferred Member Handbook will be completed in the Spring. It will be designed to address member issues at different stages of their careers.

A new retiree check stub and check advice form was designed and implemented in order to provide clearer picture of their deductions and taxable vs. non-taxable earnings.

### OPERATIONS

#### Electronic Data Management System

ACERA has started Phase I of an Enterprise wide Electronic Data Management System Project designed to produce a paperless work environment. ACERA selected L. R. Wechsler, LTD to assist with the development, acquisition, and implementation of an electronic document imaging, storage and retrieval system. The project is expected to be completed in early 2010.

### INVESTMENTS

#### Total Fund

ACERA's total Fund returned -1.0% and ranked in the 66th percentile among public funds greater than \$100 million for the quarter ending 12/31/07. The Fund underperformed its Policy Index and the median public fund by 0.6% and 0.1%, respectively. Longer term, the three-year gross return slightly underperformed its Policy Index of 10.7% and ranked in the upper 22nd percentile while the five-year gross return of 14.0% beat its Policy Index by 0.4% and ranked in the upper 13th percentile. The market value of the total Fund as of 12/31/07 was \$5,556,935,164.00.

The Investment Committee directed our investment consultant to conduct further asset mix optimization studies designed to produce an additional 40-60 bps of gross yield.

State Street Global Markets (SSgM) was hired to act as ACERA's transition manager for the AQR Capital Management transition. The total transition amount was about \$400 million.

At its October 2007 meeting, the Investment Committee directed Staff to review and update, if necessary, the investment guidelines for ACERA's fixed income managers, namely, Baird, Brandywine, and Loomis Sayles.

The Board approved on-site visits to eight candidates for the ACERA Emerging Investment Manager Program. These eight candidates are (in alphabetical order) Attucks Asset Management, Bivium Capital Partners, LLC, Capital Prospects LLC, EACM Advisors LLC, FIS Group, Inc., Leading Edge Investment Advisors, LLC, Northern Trust Company of Connecticut and Progress Investment Management Company, LLC.

In early 2008, the ACERA Board decided to establish a 10% allocation to a Private Equity/Alternative Investments asset class. Subsequently, the Board adopted a new target asset allocation for ACERA, specifically, 37% in U.S. Equity, 23% in International Equity, 24% in Fixed Income, 6% in Real Estate and 10% in Private Equity/Alternatives at its March 20, 2008 meeting.

### ACCOUNTING

For the 11th consecutive year ACERA has received from the Government Finance Officers Association (GFOA) a Certificate for Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for 2005-2006. This prestigious national award recognizes conformance with highest standard for state and government financial reports and reflects a collective effort of ACERA staff to maintain high standards of financial reporting that continue to meet the GFOA award standards.

Furthermore, we are pleased to report that ACERA was also awarded a certificate for its 2005-2006 Popular Annual Financial Report (PAFR) from the GFOA.

## CONTRA COSTA COUNTY

### BOARD

In the wake of A.B. 246, Clifton Wedington resigned from the CCCERA Board in January. Brian Hast was elected chairperson to fill the remaining term. The County Board of Supervisors will appoint a new member in June to succeed Mr. Wedington. Several other Board members are concluding their current terms in 2008: Richard Cabral, John Gioia, Paul Katz, Bob Rey, David Gaynor and Jim Remick. Supervisor John Gioia has been reappointed to a new three year term on the CCCERA Board beginning July 1, 2008. Mr. Gaynor's status as an alternate has changed to general representative since the Wedington resignation. Bob Rey, elected by Safety members, resigned at the March 28th meeting, since he has retired from his job. It will be a busy election year for CCCERA.

The CCCERA Board has retained Harvey Leiderman of Reed Smith, LLP, as general and fiduciary counsel.

### ACCOUNTING

A new position, Retirement Accountant, is scheduled for recruitment in 2008. With the continuing goal of raising the professional level of accounting staff, this position will require a stronger emphasis on accounting education. The increased sophistication of tasks mandated by government accounting standards and the complexity of investment monitoring mandate new skills and flexibility for accounting personnel. A vendor for the accounting system package has been identified, pending Board approval; integration with the pension system is estimated to begin in 2008.

### BENEFITS

"CORE 1" of the pension administration system is scheduled to go live in 2008. Many staff members remain on "double duty," as they learn about the new system, test components, and maintain their usual workload. We are considering staffing levels going forward, as job tasks are revised to reflect new protocols. Service audits and data cleansing efforts continue so that all data converted to the new Tier/Cpas system is authenticated.

Due to County constraints and potential conflicts of interest, we are recruiting an independent disability physician service to review case files.

### BUILDING SECURITY

We've improved our fire alarm system by adding specialized strobe lights, more alarm stations, and a sprinkler system to safeguard our employees and the valuable records CCCERA maintains. At the time of this writing, building management is in the process of adding security cameras to all entrances for additional coverage.

### ADMINISTRATION

The special Imaging Project has made great strides in turning archival paper files into searchable electronic data. We leased additional space adjacent to our accounting department, setting up a streamlined imaging operation. Several permanent staff members accepted the challenge of organizing the process, and training six temporary workers to push paper with skill, efficiency and accuracy. Our regular staff continues to perform their customary duties while the project continues. The goal is a June completion of all the retiree files. The pension administration system installation required a thorough "spring cleaning" and review of our file management to assure accurate information flowing into the new databases. The new benefits administration system will integrate front end imaging into a workflow process.

Human Resources tasks include facilitating recruitment for several positions, including General Counsel (which remains open until filled), Retirement Counselor, Retirement Member Services Technician, Retirement Accountant and a new position for CCCERA, Investment Analyst. We anticipate interviews for the Investment Analyst will take place prior to Spring SACRS, and hope to have the position filled by that time.

At the time of this writing, we are in the midst of the RFP process for Actuarial Audit Services.

### COMMUNICATIONS

Early in 2008, the Communications division was busy crafting RFPs and RFIs for a variety of business tasks. Our reliance on outside graphics has decreased with the purchase of a professional digital camera. The all new active general member handbook was posted to the web in two versions: by linked section, and by a complete downloadable pdf for printing. Our handbook features statute citations from the



## CONTRA COSTA COUNTY *CONTINUED*

1937 Act for easy reference “look up,” for both staff and interested members. We are continuing work on the Safety and retiree handbooks.

### INVESTMENTS

CCCERA remained active with its real estate allocation since the 2007 fall SACRS conference. At the end of December 2007, CCCERA finalized a capital commitment of \$100 million to Credit Suisse DLJ Real Estate Capital Partners Fund IV, a global opportunistic real estate fund. In addition, CCCERA recently hired INVESCO Real Estate to manage an International REIT portfolio to complement and diversify our REIT portfolio. This mandate is subject to final legal negotiations and is expected to be funded during the second quarter of 2008. The initial target for the International REIT mandate is 1% of the total assets.

We also remained active in moving towards our 5% target allocation to alternative investments. In the last twelve months CCCERA has made commitments in excess of \$200 million to alternative investments. During the fourth quarter of 2007 CCCERA finalized a commitment of \$25 million to Paladin Fund III, a private equity partnership with primary focus in the area of homeland security. In January

of 2008 CCCERA finalized a commitment of \$30 million to the Carpenter Community BancFund. This fund is a private equity partnership with primary focus in starting up community banks. We are continuing to evaluate additional opportunities to further diversify our alternative investment allocation.

Lazard Asset Management began managing a global fixed income portfolio for CCCERA at the end of 2007. This mandate, with a target of 4% of total assets, was the result of changing an international fixed income mandate to a global fixed income mandate.

The Board recently hired Lord, Abnett & Co. and Goldman Sachs Asset Management, subject to final contract negotiations and further due diligence, to manage domestic core plus fixed income portfolios, replacing Western Asset Management. We expect the assets for these portfolios to be transitioned during the second quarter of 2008.

CCCERA’s consultant, Milliman, is currently in the process of preparing an asset allocation study. We expect completion of this report in the spring of 2008.

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## FRESNO COUNTY

The current Trustees of the Fresno County Board of Retirement include:

<b>Steve J. Jolly, Chair</b>	<b>Eulalio Gomez</b>
<b>Alan Cade, Jr., Vice Chair</b>	<b>James E. Hackett</b>
<b>Michael Cardenas</b>	<b>Phil Larson</b>
<b>Nick Cornacchia</b>	<b>John P. Souza</b>
<b>Vicki Crow</b>	<b>Ronald S. Frye, Retired Alternate</b>

The Board welcomed new Trustee James E. Hackett who began his term January 9, 2008 after being elected to the Board by the General Members. John Souza, Retiree Trustee, and Ronald S. Frye, Alternate Retiree Trustee, were appointed to the Board of Retirement by the Board of Supervisors as both ran unopposed.

During January 2008, FCERA completed the Custodial and Benefit Disbursement Services conversion to State Street Bank & Trust Company.

The Segal Company presented the Triennial Experience Study and the Actuarial Valuation to the Board in January 2008. As of June 30, 2007, FCERA is funded at 86%.

Tom Iannucci of Cortex Applied Research continues his work with the Board and Administration in implementing FCERA’s Strategic Plan.

The Fifth District Court of Appeals affirmed the trial court ruling which found that the now-abandoned “Fresno Method” of aggregating 26 pay periods to create one year’s worth of final compensation was impermissible under the

## FRESNO COUNTY *CONTINUED*

'37 Act. We are a little behind schedule with the recalculations due to delays in hiring, training, and learning curves of the staff employed for this project. However, as of this writing, staff has completed the calculations and is in the process of reviewing and processing the calculations for payment over the next few months.

Responses are due May 16, 2008 on a Request for Proposal for Investment Legal Counsel. And finally, we expect to issue a Request for Proposal for Investment Consultant in early June.

## IMPERIAL COUNTY

### BOARD MEMBERS

The Board of Retirement, at their regular December 2007 meeting, elected Karen Vogel as Chairman, Terry Huskey as Vice Chairman and Armando Padilla as Secretary.

In April of this year, the County Board of Supervisors re-appointed Becky Flammang to the Board of Retirement for a 6th three year term. In addition, Board Member Julie Villeneuve ran unopposed and was appointed in lieu of election, to the Board for a second three year term.

### STAFF

In December of 2007, the Retirement Board appointed David H. Prince as Retirement Administrator.

In February of this year, Regina Rodrigues was promoted to Retirement Supervisor and part-time employee Angie Hardaway was hired full time as a Retirement Specialist.

ICERS has had two of its most experienced and knowledgeable staff members retire since the fall conference. In January, Susie Martinez, Retirement Supervisor, retired with over 32 years of service and in March Barbara McFetridge, Assistant Retirement Administrator, retired with over 33 years of service. Barbara and Susie will be missed by the members of the system and even more so by the remaining ICERS staff.

### INVESTMENTS

During the winter months, the Retirement Board concluded their search for a Small Cap International Manager by hiring Victory Capital Management for this mandate. The Board also invested funds in a new asset class for the system with PIMCO in their Distressed Mortgage Fund.

### RETIREEES

The Imperial County Board of Supervisors, at the request of the Retirement Board, has adopted a new county ordinance which will grant a Retro-active Cost of Living Adjustment (COLA) to qualified retirees of the system. This COLA will grant an increase to approx. 25% of the system's oldest retirees. The Retirement Board is continuing to support Senate Bill 392, authored by Senator Denise Moreno Ducheny, D-San Diego. This Bill would grant the authority to the Imperial County Board of Supervisors and the Retirement Board to grant a COLA increase to all retirees whose purchasing power has dropped below 80%.

### NEW PROJECTS

The Retirement Board has hired Linea Solutions, Inc. to develop a five year strategic plan for improving ICERS technology capabilities.

In January the Retirement Board hired American Realty Advisors to develop a Space Needs Assessment and Analysis for office space for our staff. The Board received the report in February and formed a committee to research potential sites to relocate ICERS operations.

## KERN COUNTY

### NOVEMBER ELECTIONS FILL 3 BOARD SEATS

In November 2007, members of the Kern County Employees' Retirement Association (KCERA) cast their ballots to fill the Retirement Board's Third, Eighth and Eighth Alternate seats.

The general membership elected Robert Jefferson from the Roads Department as the Board's Third Member. Norman Briggs, previously the Eighth Member Alternate, was appointed to the Eighth Member seat in lieu of an election because he ran unopposed. And filling the vacated Eighth Member Alternate seat was Phil Franey, the recently retired former treasurer-tax collector of Kern County. Terms for newly elected Board members began January 1, 2008 and will expire December 31, 2010.

### PENSION SYSTEM RFP ISSUED

After a year-long process of compiling business requirements and developing a comprehensive Request for Proposal (RFP), KCERA—aided by consultant L. R. Wechsler, Ltd.—issued its pension administration system RFP in February 2008. Nine vendors participated in KCERA's on-site bidders' conference in March; five submitted proposals by the April 4 deadline. KCERA plans to select its pension administration system vendor by mid-June and begin the project in early August.

### RELOCATION PROJECT MOVES FORWARD

Los Angeles-based American Realty Advisors (ARA) was hired to provide services related to facility needs assessment and market analysis for the future relocation of the KCERA office. Due to a lack of adequate lease space in Bakersfield, ARA recommended the Board consider a build-to-suit development purchase.

In October 2007, following months of evaluating potential property sites, the Board decided to postpone selection of a site for six months in view of Bakersfield's declining real estate market. On April 9, at the recommendation of its Facility Ad hoc Committee, the Board voted to begin negotiations for the purchase of 1.5 acres of land in Southwest Bakersfield.

### NEW FILE MANAGEMENT SYSTEM

The Board's Information Technology (IT) Committee met in January to discuss an important enhancement to KCERA's technology infrastructure. Board members voted to approve the purchase of the SmeadSoft file management system, which will automate file tracking by adding a bar-coded label to each KCERA member's folder. On-site scanners and computer software will enable staff to more efficiently track and process member service requests.

After approving the agenda item, the IT committee referred the issue to the full Board, which authorized the system's purchase. KCERA expects to complete product implementation by the end of May.

## LOS ANGELES COUNTY

### BOARD NEWS

#### Board of Retirement

In January 2008, William R. Pryor began his fourth consecutive term as the safety member elected representative. James P. Harris (J.P.) began his inaugural term as our alternate member, as we said goodbye to alternate member Armando Macias at the close of his term in December 2007.

At the first meeting in January, the Board of Retirement held its annual Board Officers' election and re-elected Les Robbins as Chair, re-elected Simon S. Russin as Vice-Chair, Yves Chery was elected Secretary, and Ed C. Morris was elected to serve on the Audit Committee.

#### Board of Investments

In January 2008, William R. Pryor began his second term as the safety member elected representative. The Board thanked and said goodbye to a valued appointed member, Michael Schneider, at the close of his term. The Board welcomed back newly re-appointed member, Leonard Unger.

On the Board of Investments, William R. Pryor was elected Chair, Simon S. Russin was elected Vice-Chair, Herman Santos was elected Secretary, and Diane A. Sandoval was elected to the Audit Committee.

The annual Board Offsite was held in January. Topics that were covered included a review of organizational goals, benefit process quality, retiree healthcare, fiduciary training, economic overviews, actuarial funding, and investment topics that included sub-prime markets, liability driven investments, alpha transfer programs, and hedge funds.

### INVESTMENT NEWS

For the fiscal calendar year ending June 30, 2007, the total fund surpassed its benchmark by 290 basis points and finished the year at 19.1%. This was driven by solid returns in International and Domestic Equity, Private Equity, and Real Estate. This marks the fourth straight year of double-digit returns far exceeding the plan's 7.75% actuarial return assumption. Of course, that was then and during the ensuing three quarters the market has not been quite so favorable. Total fund fiscal year-to-date returns through December 31, 2007, were 3.3%.

Initiated a Private Equity Emerging Manager Separate Account Program manager search.

Selected European Investors, Incorporated to provide international real estate management security services.

### BENEFIT NEWS

#### Retiree Healthcare Director

In addition to administering the defined benefit plans, LACERA administers a retiree healthcare insurance program serving approximately 60,000 covered lives. We are very pleased to announce the appointment of our new Retiree Healthcare Director, Lita Payne. Lita joins LACERA with a wealth of experience previously serving Los Angeles City employees and retirees in the benefit and insurance areas.

#### Privacy Policy Review

LACERA's external privacy auditors, MRE Enterprises and Sonnenschein Nath & Rosenthal, completed their review of LACERA's privacy protection practices and related regulatory compliance practices. As described in the audit report, LACERA demonstrated a conscientious and diligent approach to protecting the privacy of our members. No breaches were discovered during the review.

#### Production Quality Retirement

##### Estimates Available on MyLACERA

In our last update we mentioned using production quality data to generate on-line estimates through a secure member portal named MyLACERA at LACERA.com. The initial release in October 2007 was a quiet release with no advertising. After reviewing the activity and ironing out the bugs we began actively advertising this new capability in March 2008. Based on the 140% increase in web-generated estimates from October through March (1,900 to 4,500) we are excited to continue our efforts in providing "service choice" through the internet. In the coming year we expect to add member-generated account maintenance capabilities, such as, tax deduction election, direct deposit, and address changes.

## MARIN COUNTY

### BOARD

Peter Arrigoni was recently reappointed by the Board of Supervisors for a second term. Peter was also elected Chair of the Investment Committee, taking the gavel from Milbrey "Casey" Jones who served as the investment committee chair for several years.

In March, Supervisor Charles McGlashan stepped down as a Trustee due to the recent Lexin decision. Both Charles, his fellow trustees, and staff were sad to see Charles resign from the board, but understand that in the unsettled legal landscape that Lexin has wrought, professional politicians are primary targets for conflict of interest lawsuits. Charles expressed his strong interest in seeking reappointment both to the MCERA board and to the Board of Supervisors., should the Lexin case be overturned on appeal. Given the uncertainties raised by Lexin, no sitting Supervisor was willing to accept appointment to his seat.

Also up for reappointment is Milbrey "Casey" Jones. Casey has served on the MCERA board for nearly nine years and has played a significant role in encouraging and supporting his fellow board members to consider a variety of investment opportunities that both increased diversification and reduced risk in the MCERA portfolio. During his tenure MCERA rose from the bottom quartile to the top decile in performance amongst public pension plans.

The Supervisors plan to announce their appointees for both seats in late May or early June

### SOFTWARE AND TECHNOLOGY

We are very pleased to report that MCERA selected CPAS of Toronto, Canada as the vendor for our new Benefits Administration system. CPAS completed their first 1937 Act installation at CCCERA, and they are working diligently with both San Diego and Marin CERA to configure their new systems, with an expected go-live date at MCERA in 18-22 months.

Linea Solutions of Los Angeles continues to provide project management expertise and we are pleased to report that the project is moving along well and is on track. We are all very excited about the positive ways in which this

system will impact our daily activities, as well as help us to improve customer service, provide for customer self-service and enhance benefits delivery to our members.

### STAFFING

Since our last update MCERA has added several new staff members: Senior Secretary, Sharika Hemphill and Retirement Member Services Technician, Ann Highfill, who replaced other staff members who left the department, and Todd Miller who joins us as an Accounting Assistant working primarily on our database in preparation for the upcoming conversion to the ne CPAS system.

We also welcomed three very experienced extra hires to the management team. The first is Alexander Lawrence, the former administrator of a Taft Hartley plan in San Francisco as Retirement Benefits Supervisor. In addition to Alex, we are delighted to welcome two powerhouses that we lured out of retirement on a part-time basis for at least a little while. Kathy Broderick, former Deputy Human Resources Director for Marin County, and Helen (Wright) Moody, former Deputy General Manager of ACERA. All three of these individuals have already made significant contributions in their respective areas, and we look forward to having them on the team for a long time.

### INVESTMENTS

MCERA's fund balance fell -1.8% from \$1.52 Billion to \$1.49 Billion from September to December 2007. Since December our fund balance has continued to show some additional erosion along with the financial markets at large.

### FINANCIAL

Marin County's implementation of the SAP accounting module in July, 2006, and the subsequent installation of the HRIS and Payroll modules on January 1, 2007 has caused more than a few headaches for the entire County, but especially for the Retirement Department. As a result of these problems we have just commenced our audit for p/e 6/30/07, and our annual plan valuation has also been delayed. We hope that we get past these difficulties soon, as the last year has been an extraordinarily stressful time for staff and management alike.

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## MARIN COUNTY *CONTINUED*

### MCERA HEADQUARTERS BUILDING

Construction plans for MCERA's new headquarters building are complete and the bids will be opened in mid-May. Furniture was ordered at the end of April and the ADA work and restroom renovation is almost complete. Renovation of the office space will commence in late May, and our move-in date is in mid-September, so we should have lots to report in the next What's New!

Administrative staff has been operating out of an HQ office suite since January 2007 due to the severe overcrowding conditions at the Civic Center. Current plans are for the admin staff to move again in May, but this time it will be to temporary office space in the portion of our new building that will be available for lease later in the year. The admin staff is actually looking forward to this move, which we like to think of as 'camping out' in the new building.

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## MENDOCINO COUNTY

Board member Jerry Oglesby has left the board and is being replaced by the County Assistant Auditor–Controller, Lloyd Weer. Lloyd is a long time county employee and hopefully will attend future SACRs conferences.

In a previous "What's New" it was reported that Mendocino County was going to adopt the Government Code Section making the Retirement System independent. After many months and years of discussion this was finally accomplished last April, partially thanks to the efforts of former Sonoma County Treasurer–Tax Collector and Retirement System Board Member Tom Ford. Tom gathered information and made a presentation to the Mendocino County Board of Supervisors that was beneficial in convincing the BOS that

it was inevitable that this would happen and was in the best interest of both the county and the retirement system.

One of the first actions of the newly independent retirement system was to purchase a building to be used as our offices. Previously retirement system staff were housed in a pretty crowded county building that did not have adequate room for everyone (all 4 employees). We now are enjoying the comforts of the much larger space and are able to lease 2/3rds of the building to a state agency to help reduce the cost of housing.

We will begin the search for a full time Retirement Administrator in the near future.

## MERCED COUNTY

### RETIREMENT BOARD

MCERA has had no changes in Board membership since November 2007. Trustee David Ness and Alternate trustee, Dwayne McCoy both attended the CALAPRS Principals of Pension Management for Trustees at Stanford, both commented it was a worthwhile program for new trustees. Jim Lindsey, Board Chair will be attending the SACRS Public Pension Investment Management Program in June.

### INVESTMENTS

The Retirement Board has revised and updated their Investment Objectives and Policy Statement which now includes provisions with regard to the new asset allocation Plan adopted by the Board in 2007. The new plan reduced allocations to domestic equity and fixed income and increased allocations to International equity. The Board added European Institutional Investors as their new global

REIT manager and is in the process of reviewing finalists for a high Alpha International equity manager.

### MCERA OFFICE

With the assistance of Linea Solutions, MCERA completed a feasibility study for a new pension administration system and has formed a PAS committee to develop an RFP. MCERA was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the period ending June 2007. MCERA continues to update and add information to its website and has begun holding monthly retirement information programs for its members. MCERA is seeking to add an accountant to our staff; candidates with prior 37 act experience are especially encouraged to apply. On another staff issue, Gale Garcia, our long time retirement accounting analyst was promoted to Fiscal Supervisor.

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## ORANGE COUNTY

### CEO

Steve Delaney

### BOARD CHANGES

Reed Royalty, Chair  
Robert Griffith, Vice Chair  
David Thompson was replaced by Anthony Bedolla

### EXTERNAL OPERATIONS

James Buck is now External

### LEGAL OPERATIONS

Julie Wyne

### ATTORNEY

Harvey Leiderman – Reed Smith LLP

Active Participants 23,651  
Benefit Participants 11,726

General 19,843 Benefits 8,559  
Safety 3,808 Benefits 1,479  
Fund Balance 8,000,286

Equities add AQR Capital Management and Mercator Asset Management L.P.  
Total \$3,612,565,000

Fixed Income add BGI TIPS Index and Aberdeen Asset Management  
Total \$3,222,414,000

Real Estate add AEW Real Estate, Fidelity Real Estate and LaSalle Investment Management  
Total \$616,281,000

Other add Mesirow Financial and Abbott Capital  
Total \$461,252,000

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## SACRAMENTO COUNTY

Nothing new to report at this time.

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## SAN BERNARDINO COUNTY

### BOARD MEMBERS

The current Chairman is Marvin Reiter with Harry Hatch serving as Vice-Chair. Ex-Officio member, Dick Larsen, is Chairman of the Investment Committee, and Harry Hatch is Chairman of the Administrative Committee.

Retired member Robert McDonald began another three-year term on January 1, 2008. Mr. McDonald was unopposed for the seat; therefore the Board of Supervisors appointed him to the Board of Retirement in lieu of conducting an election. Dawn Stafford was reelected for one of the General Member seats. New Trustee Don Neely was elected to fill the vacated General Member seat.

Ellen Weisser was re-appointed by the Board of Supervisors; New Trustee Christopher Leggio was also appointed by the Board of Supervisors.

### ADMINISTRATIVE ACTIVITIES

The San Bernardino County Employees' Retirement Association (SBCERA) was awarded the 2008 Mid-Sized Public Plan of the Year by Money Management Letter, in conjunction with Information Management Network (IMN).

SBCERA is pleased to announce that the Board's Strategic Planning directive to gain control of management through the implementation of Special District Status is complete. The Board entered contracts with 12 positions.

Implementation of Video Teleconferencing (VTC) should be complete prior to the May SACRS. We have installed a state-of-the-art VTC system in the Board Room and in the executive conference room. This technology will be beneficial during presentations, meetings and consultations in addition to investment-related activities. The system is comprised of multiple retracting plasma flat-panel screens, digital recording de-

vices, microphones, speakers and four remote feeds allowing for four-way video teleconference calls when needed. Full capacity storage, retrieval and archiving are provided through SBCERA's Local Area Network using dedicated equipment.

SBCERA has selected vendors and is proceeding with our Enterprise Content Management (ECM) program. ECM will improve the management and maintenance of information and documentation, both images and electronic. ECM is comprised of technologies, tools and methods used to capture, manage, store and deliver information, content and documents related to organizational processes. SBCERA intends to leverage these tools to reduce our dependence on paper documents in the future, as well as manage collaboration, workflow and retention from both an electronic and paper perspective.

SBCERA has successfully completed a Network Intrusion and Security Assessment Review. In support of SBCERA's ongoing risk management program and to identify current risk levels and exposures involving technology and information assets, SBCERA selected a security assessment firm and conducted tests from both a technology and social perspective.

### INVESTMENT ACTIVITIES

New England Pension Consultants, in conjunction with Staff, will present a new asset allocation study in May.

Structure studies have been a major priority over the past six months, specifically credit strategies. Staff, in conjunction with NEPC, will recommend a number of strategies in distressed, relative value and credit opportunities from April through July.

Following the Asset Allocation and Credit Structure Review will be a broad equity structure review.

## SAN BERNARDINO COUNTY *CONTINUED*

### MEMBER SERVICES ACTIVITIES

SBCERA contracted with CEM Benchmarking Inc. for Pension Administration Benchmarking. The benchmarking survey was concluded in April and the final report will help guide SBCERA in setting, monitoring and improving service levels and costs.

The Administrative Committee recently accepted an updated Communications Plan. The highlights of the planned 2008 activities include:

- Use of a wire service for the broader distribution of news releases and alerts, and overall improvement of media relations.
- The addition of a new monthly evening mid-career seminar in conjunction with a representative from a deferred

compensation provider. Seminars are set for the last Thursday of each month from 5:15 p.m. to 7 p.m. in the Board chambers onsite.

- Expanded education efforts with a new payroll staffer campaign aimed at getting important information directly into the hands of our membership. The three topics for this year are: 1) How to use the SBCERA website and benefit calculator; 2) the importance of updating beneficiary information; and 3) a summary of pre-retirement resources.
- Finally, the SBCERA website continues to evolve as a primary tool for members and stakeholders. A series of planned enhancements will encourage an increase in electronic newsletter subscriptions as well as new accounts for the Web Member Services (benefit calculators, forms and summaries) functionality available to active and retired members.

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## SAN DIEGO COUNTY

### BOARD OF RETIREMENT

Incumbent David A. Myers ran unopposed for the Board of Retirement Safety seat in November. His new term will expire December 31, 2010.

On May 20, SDCERA will hold elections for three seats on the Board of Retirement: the retired member (8th seat), the alternate retired member (alternate 8th seat), and a General member seat (2nd seat).

### INVESTMENTS

SDCERA's recently adopted asset allocation, includes a policy shift from global fixed income to US-only fixed income and adds a five percent policy allocation to infrastructure. Two managers were added in the infrastructure space, as well as a number of managers in real estate, private equity and hedge funds.

SDCERA engaged the services of AEGIS to research and design custom decision tree models to enhance the fund's

"Beta Engine," a rules-based rebalancing methodology created and managed by staff.

For the calendar year ended December 31, 2007, the total fund earned 11.9% gross and ranked in the top fifth percentile in the TUCS universe for public funds greater than \$1 billion.

SDCERA is adding to the investment staff. Three new investment officers were recently hired to focus on risk management, hedge funds, and traditional equity and fixed income. A new investment analyst was also hired to focus on performance and trading. SDCERA is currently recruiting an investment officer for private equity.

### CREDIT RATING

Standard & Poor's Ratings Services gave SDCERA the highest issuer credit rating of AAA. S&P cited strong fund management, improving funding status and improved credit quality of the pension system's sponsor (San Diego County) among its reasons for the rating.

## SAN DIEGO COUNTY *CONTINUED*

### MEMBER SERVICES

SDCERA selected CPAS as the successful vendor for its new pension administration system and hired Linea Solutions to manage the project. SDCERA expects to implement the new system in first quarter of 2010.

Staff revised and reprinted the *Retirement Plan* booklet. The new version was mailed to all active and deferred members in March. Members give this easier-to-read booklet glowing reviews.

SDCERA's new postcard campaign targets active members with 13 to 19 years of service credit or ages 55 to 64. This population requested more communication from SDCERA on the member survey. Each postcard offers an SDCERA tip such as accessing information about their benefit on our web site, purchasing service credit, or completing the retirement process. Providing these tips will help this population, many of whom are approaching retirement eligibility, be more informed when they retire.

### ACTUARIAL SERVICES

SDCERA's funding ratio increased to 89.7%, up from 83.6% last year, according to the June 30, 2007 actuarial valuation report.

SDCERA contracted with Milliman to perform an actuarial audit of the June 30, 2007 valuation and the 2006 experience study. Milliman reported the actuarial work on both the valuation and the experience study was of high quality, reasonable and accurately represented the condition of the fund.

### AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded SDCERA with a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2006. This is the tenth consecutive year that SDCERA achieved this recognition. SDCERA also received an Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2006 for the second consecutive year.

The Public Pension Coordinating Council (PPCC) granted SDCERA its 2007 Achievement Award for the third consecutive year.

## SAN JOAQUIN COUNTY

### BOARD

At their March 14, 2008 meeting, the San Joaquin Board of Retirement approved the establishment of an Alternate Retired Member and appointed Marcel Leduc to this position. Initiated by a request from the Retired Public Employees of San Joaquin County (RPESJC), San Joaquin joins fifteen other 37 Act County Systems with previously established positions. Mr. Leduc, a well-known attendee at SACRS events, currently serves as the President of RPESJC and served on the San Joaquin Board of Retirement from 1987-1998 as the Safety Member.

In a recent conversation about his appointment, Marcel admitted that while he is busier now than before he retired in 2000, retirees have been a large part of his life and

that he looks forward to continuing his service to them. Although his official duties with the Board of Retirement will officially in July 2008, keep an eye out for him at the Spring Conference in Sacramento as he plans to attend on behalf of the RPESJC and his retirees.

### INVESTMENTS

SJCERA's assets returned 7.3% for the twelve months ending December 31, 2007.

The Board took the following actions regarding investments:

- Increased the Real Estate allocation from seven to ten percent
- Moved commercial mortgages from the Real

## SAN JOAQUIN COUNTY *CONTINUED*

- Estate to the Fixed Income program
- Added PRIMA Capital Mortgage Investment Trust to Fixed Income
- Although completed a search for a U.S. large cap core short extension equity manager, did not hire a manager in that strategy
- Exploring Infrastructure as strategy to fund long-term liabilities
- Reviewing how managers use derivatives in the portfolio

### FINANCIAL

Working with the Brown Armstrong Accountancy Corporation to conduct the financial audit for the period ending

December 31, 2006 resulted in SJCERA receiving its first Award of Excellence for Financial Reporting from the Government Finance Officers Association (GFOA). Having just closed its books for the period ending December 31, 2007 we are again working with Brown Armstrong and are happy to report that our financial audit is well on its way.

In anticipation of the publication of our 2007 Comprehensive Annual Financial Report (CAFR), we are working with an outside graphic designer to put together this year's report. We also have plans to publish our first Popular Annual Financial Report (PAFR) to members in lieu of the Annual Report to Members, which will contain important and useful information presented in a user-friendly format.

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## SAN MATEO COUNTY

### BOARD NEWS

Three SamCERA board members will leave office during the first half of 2008: Tom Bryan, Paul Hackleman, and Scott Lee.

Tom Bryan has been a board member since July 1986. When he officially retired at the end of March he had served more than 21 years on the Retirement Board. Tom served as board chair four different times and held every board office. He departed as the current board chair. He was elected to his trustee seat eight times. When Tom began his board service, the trust fund held about \$290 million. It has now grown to more than \$2 billion.

Paul Hackleman, Benefits Manager for San Mateo County, also retired at the end of March. Paul was first elected to the board in June 2005. He served on the Investment Committee during the 2006-2007 fiscal year. Paul spent 33 years with the county of San Mateo. He will continue his outside business which focuses on 457 plan consulting.

An election to fill the two vacant seats will be held June 23.

Scott Lee is an appointed member of the board. A Vice President with Franklin Templeton, Scott's job responsibilities have changed to include marketing to 37 Act systems. As

such it would be a violation of AB 246 for him to continue as a board member. Passed during the 2007 session and effective January 2008, AB 246 forbids those who market investment assets to 37 Act retirement systems from serving as trustees of 37 Act systems. The Board of Supervisors will appoint a San Mateo County resident to fill Scott's unexpired term.

The SamCERA Retirement Board has nine members and three alternates. Members who will remain on the board are Vice Chair Emily Tashman, Secretary James Hooley, Bette Stuart, Margaret Jadallah, Lee Buffington and David Wozniak. Alternate trustees include Sandra Arnott, Alma Salas, and John Murphy. An election to select board officers for the remainder of the fiscal year was held in late April. Emily Tashman was elected Chair and David Wozniak Vice Chair. Margaret Jadallah was named Chair of the Investment Committee.

### MEMBER SERVICES

SamCERA issued its third on-line Customer Services Survey in late 2007. All scores fell between good and excellent. Consistent with past surveys, members continued to ask for more retirement education. To comply, SamCERA has added a retirement seminar for late-career members ("I'm Eligible to Retire-What Now?") and an online video for new

## SAN MATEO COUNTY *CONTINUED*

hires ("Your SamCERA Retirement Plan.") to its regular workshop ("Ready To Retire") for those at the end of their careers. Within the next several months staff will add an additional seminar for mid-career members.

At the start of the 2007-08 fiscal year, SamCERA made available to active members the purchase of Additional Retirement Credit or ARC Time. The purchases are based on section 31658 of the '37 Act. The section allows eligible members to purchase up to five years of additional retirement credit at full actuarial cost. Since adoption, more than 135 SamCERA members have purchased ARC time, equivalent to about 2.5% of the active membership.

### INVESTMENTS AND FINANCE

SamCERA hired Jennison Associates in the early part of 2008 to run approximately \$80 million in a core small cap equity portfolio. The Board and Investment Committee are currently working with Strategic Investment Solutions to look at the large cap manager structure.

### INFORMATION TECHNOLOGY

SamCERA hired Sikich LLP in May to install an upgrade of its Great Plains accounting system software. Within a few weeks staff should also complete installation of a wireless connection to the county information services center. When up and running, the wireless connection will provide data transmission capacity that is 35 times greater than the current link through T-1 lines.

### SPACE

SamCERA has acquired additional square footage immediately adjacent to its current offices and is in the process of remodeling the space. When complete, the space will provide a larger boardroom for conduct of member education programs, expansion space for future growth, more storage, more file space, more server space, sufficient office space to hire two vacant positions, a separate counseling room and a workroom for office equipment. It will also allow SamCERA to move its largest copy machine out of the kitchen.

## SANTA BARBARA COUNTY

### BOARD OF RETIREMENT

The terms of one General member and the Safety and Alternate Safety members expired on December 31, 2007. Shawn Terris was re-elected as a General member; Julie McCammon was re-elected the Safety member; and Frederick Tan was elected as the Alternate Safety member. The Board of Retirement re-elected officers Bernice James, Chair; Joni Gray, Vice Chair; and Donald Kendig, Treasurer, at the annual retreat in January. There continues to be a vacancy on the Board for an appointed member since Trustee Paul Dore's resignation in September 2007.

### INVESTMENTS

The Board hired Batterymarch Financial Management in March 2008 as an additional Emerging Markets Equity Manager. Institutional Shareholders Services public fund guidelines were adopted as SBCERS' proxy policy. The overall fund balance is now at \$1.808 billion.

### CONSULTANT SERVICES

SBCERS contracted with EFI to conduct an independent review of changes in actuarial assumptions recommended by Milliman as the result of a new Investigation of Experience. EFI determined that overall the recommended assumptions and their estimated impact on liabilities appeared reasonable.

### BENEFITS

A new Safety plan was implemented in February 2008 that provides a 3% at 50 benefit for sheriff employees and district attorney investigators. A new General member tier was implemented in March 2008 that provides the same 2% at 57 formula, but for which members will pay half-rate contributions and have a three-year final average salary.

A cost of living adjustment of 3% on retirement allowances was approved effective April 1, 2008, and 0.5% was added to the accumulated carryover for future increases.

## SANTA BARBARA COUNTY *CONTINUED*

The Board established a policy, effective 6/30/08, of crediting interest to member accounts equivalent to the yield of the five year Treasury note, not to exceed the actuarial assumed rate.

The Board voted to include performance based bonuses (implemented by the County for the first time in January 2008) in compensation earnable.

County employees now have online access to their member account statements through the County payroll system.

Barry Lew, formerly with LACERA, became SBCERS' Retirement Benefits Manager in December 2007.

### ADMINISTRATION

Oscar Peters announced his resignation as Retirement Administrator effective June 15, 2008, or when a replacement is found. The Board selected EFL Associates as the recruiter for the position. A new position of Senior Retirement Staff Counsel was established this year. The recruitment is ongoing.

## SONOMA COUNTY

- Board Membership, Elections and Appointments—Trustees Mark Walsh and Al Alys were reelected/reappointed to new terms. Special Note—Mr. Alys will be celebrating his 30th year of service on the Retirement Board this September!
- Our Integrated Pension System project implementation of Levi, Ray & Shoup's PensionGold PE (Public Edition) continues with an anticipated completion in mid-2009. Current focus is on data conversion, completing the requirements phase and the start of the design phase.
- Investment projects completed or in process are as follows:
  - In January, the Board approved increased allocations to non-US and global stocks. The overall mix of US and non-US equities changed from 68%/32% to 60%/40%. In connection with this change, the Global equity allocation increased from 10% to 15%.
  - A Global Equity search was completed and Capital Guardian and Templeton were hired. After the changes, GMO, Capital Guardian and Templeton will each have 5% global equity allocations.
- In February, the Board approved implementation of a short extension (130/30) strategy. The Jacobs Levy Russell 3000 long only strategy was converted to a Russell 3000 130/30 strategy. The initial implementation is with a commingled account. SCERA is currently evaluating prime brokers and a separate account structure for this mandate.
- A non-US equity search is in progress for an allocation of approximately 5% of the portfolio. A decision is expected by the May Retirement Board meeting.
- An Asset-Liability Study is in process with anticipated completion in July.
- In March, the Retirement Board had a special meeting for disability education purposes. Our regular evaluating physicians joined in the meeting. Disability County Counsel Suzanne deKozan reviewed legal standards and the reporting structure for disabilities as well as permanent incapacity and real and measurable standards.
- An 80% Purchasing Power Cost of Living Adjustment was implemented, effective in April.

## STANISLAUS COUNTY

The Stanislaus County Employees' Retirement Association (StanCERA) is riding the same financial markets' roller coaster as other institutional investors. The ride seems to be trending lower. Gains that were well above average just last year have all evaporated...not good news for anyone. The StanCERA Retirement Board has taken the lower values in the real estate market as an opportunity to begin its investment in Global Real Estate Investment Trusts (REITs). A \$20 million commitment was made in early March. The plan is to add more to this commitment in the near future. Otherwise, our asset allocation and investment manager line up have stayed fairly status quo.

Retirement Board members are receiving some more education on High Yield Debt and Emerging Market Debt investments for consideration in future asset allocation reviews as well as education on a multiple manager program for the U.S. small cap arena.

The Retirement Board has re-organized itself into some new Committee structures. The Internal Governance Committee will take on oversight of all audits and become the Board's Audit Committee. The goal will be to add an internal controls audit function (performed by an external audit firm) to the regular annual financial audit (performed by an external audit firm).

Many of you have already read about the December 12, 2007 dedication of our Board Room as the "Wesley W. Hall" Board Room, in honor of StanCERA's longest serving Trustee. Mr. Hall's 42 years on the Retirement Board include 18 years as an elected General Member representative and 24 years (and counting) as the elected Retiree Representative. We value Mr. Hall's leadership, dedication and enthusiasm and look forward to his ninth bid as Retiree Representative. At 84—he's like the Energizer Bunny—he just keeps going and going and...!

The Retirement Board has reviewed a draft Disaster Recovery/Business Continuity Plan and staff will work towards its completion in the upcoming months.

The final phases of StanCERA's new technology system are being tested including the retiree payroll. We are hopeful to have this major project completed before the next SACRS Conference (but we are not holding our breath!).

Falling assets constrain our administrative budget and the long term wish list of projects to be completed will have to be moved further out into the future.

## TULARE COUNTY

In the last 9 months, TCERA has seen four new regular Trustees and 2 new alternate Trustees join the Board of Retirement. A major initiative undertaken by TCERA staff is to provide a variety of training opportunities for these new Trustees. A "New Trustee Orientation" program has been developed to give new Board members an overview of their various duties and responsibilities. In March, three of the TCERA Trustees attended the CALAPRS "Principles of Pension Management for Trustees" at Stanford. Later in May, TCERA will hold a special training session devoted to investments and the key elements of the TCERA investment portfolio.

Since the last SACRS conference, Tulare CERA has completed a major revision to the Association's website. The new version of the website is easier to navigate and includes new features of interest to plan members and others.

On the investment front, TCERA is currently in the midst of a search for a new Enhanced Index Equity manager. Finalists have been selected and the TCERA due diligence team will be reporting back with its recommendations shortly. TCERA's investment earnings for the 1-year period ending December 31, 2007, were 6.6 percent. This level of return was disappointing and ranked the plan in only the 79th percentile of the Public Fund Universe. Longer-term results are still quite good, however. TCERA's returns for the 3-year, 5-year and 10-year periods ending December 31, 2007 are 11.0%; 14.0% and 9.9% respectively. These figures rank TCERA in the 15th, 5th and 2nd percentile of the Public Fund Universe for the various timeframes.

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## VENTURA COUNTY

### BOARD MEMBERS

Tracy Towner and William Wilson were reelected in January as Chairman and Vice-Chairman, respectively. Several trustee elections are scheduled in 2008 with the safety member election being held in July, a general member election in September and the retired member election in November. Additionally, the Board of Supervisors will make appointments for two public member positions in August.

### ADMINISTRATION

Novanis was selected to provide the software for an Electronic Document Management System. The system is expected to be operational in mid-summer. Preliminary work on a new benefits administration system is scheduled to begin later this year.

Eight hearing officers were added to VCERA's disability panel.

The Board expressed its intentions in January to renew the STAR COLA benefit through September 30, 2010. A final vote on the subject is scheduled on April 28, 2008.

### INVESTMENTS

The Board hired Acadian Asset Management to manage a \$100 million global 130:30 strategy with funding expected to take place by June 1, 2008. The Clifton Group was hired in January to manage a cash equitization program.