



Executive Staff:

Eric Stern
Chief Executive Officer

Steve Davis
Chief Investment Officer

Robert L. Gaumer
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

Stephen Hawley
Chief Strategy Officer

MINUTES

REGULAR MEETING OF THE BOARD OF RETIREMENT SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, MAY 23, 2018
10:00 A.M.

Location: SCERS Board Room
980 9th Street, 19th Floor
Sacramento, California 95814

Members of the Board of Retirement

Rick Fowler, President
Appointed by the Board of Supervisors

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

Keith DeVore, Vice President
Appointed by the Board of Supervisors

Steven L. Baird
Elected by the Miscellaneous Members

James A. Diepenbrock
Appointed by the Board of Supervisors

Ben Lamera
Ex Officio, Director of Finance

Alan Matré, CPA
Elected by the Miscellaneous Members

Kathy O'Neil
Elected by the Retired Members

Chris A. Pittman
Elected by the Safety Members

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

OPEN SESSION

Item 1. Call to Order

The meeting was convened at 10:00 a.m.

Item 2. Public Comment – None

Item 3. The Board approved the Minutes of the April 18, 2018 meeting. (8-0, Mr. Lamera abstained)

CONSENT MATTERS – ITEMS 4-8:

The Board approved the Consent Matters Items 4-8, with the exception of Item 4B. (9-0)

Item 4. Disability Retirement Applications

- A. HARDEN, Elisha; Denied a service-connected disability retirement per proposed decision of Administrative Law Judge.

- B. LAVELLA, Kristin; This item was removed from the agenda by the Board President for consideration at a later date.
- C. LITTLE, Sandra; Granted a service-connected disability retirement as recommended by staff.
- D. MCGUIRE, Thomas; Granted a service-connected disability retirement as recommended by staff.
- E. MIERZWAK, Marjorie; Granted a nonservice-connected disability retirement and referred the matter to an administrative hearing for a service-connected disability.
- F. RONNER, Alexandra; Granted a nonservice-connected disability retirement and referred the matter to an administrative hearing for service-connected disability.
- G. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

Item 5. Portfolio Rebalancing Report – First Quarter 2018

Item 6. Trading Activity Report – First Quarter 2018

Item 7. Investment Portfolio Activity Report – April 2018

Item 8. Monthly Investment Manager Activity, Compliance, and Watch List Report – April 2018

ADMINISTRATIVE MATTERS:

Item 9. Chief Executive Officer's Report

Chief Executive Officer Eric Stern provided the following update on developments affecting public retirement systems and on miscellaneous system and staff activities:

- Mr. Stern reported that on May 4, SCERS hosted a participating employers meeting to discuss the proposed membership eligibility policy. SCERS received useful feedback that was used to revise the policy. SCERS tax counsel is reviewing the revised policy.
- Mr. Stern reported that the County Board of Supervisors approved the SCERS actuarial valuation and contribution rates on their consent calendar at the May 22 Board of Supervisors meeting.
- Mr. Stern discussed the reporting details with the Board regarding the Information Source Materials.
- CALAPRS Trustees' Round Table will be held June 8, 2018 at the Airport Hilton in Oakland.
- SACRS-UC Berkeley Investment Management Program will be held July 15-18 in Berkeley.

- CALAPRS Principles of Pension Management for Trustees will be held August 27-30 at Pepperdine University.

Item 10. Customer Service Performance Management Update

Chief Strategy Officer Stephen Hawley and Chief Benefits Officer John Gobel presented the results of the Cost Effectiveness Management (CEM) benchmarking survey. Mr. Hawley stated the objective is to establish a baseline for customer service performance, measures to enhance customer service, and quantitative and qualitative standards for ongoing evaluation of customer service.

The Board approved staff recommendation to receive and file the presentation and to extend the CEM benchmarking service for a period not to exceed five years. (9-0)

Item 11. Total Fund Investment Performance Report – First Quarter 2018

John Nicolini and Margaret Jadallah of Verus Advisory, Inc. presented the Investment Performance report for the Quarter ending March 31, 2018. Mr. Nicolini reported that the Total Fund return for the quarter is 0.6% and fiscal YTD is 8.8% as presented in the table below.

SCERS TOTAL FUND PERFORMANCE SUMMARY
Quarter Reporting Periods Ending March 31, 2018

SCERS ASSET CLASS	Quarter	Fiscal Year-to-Date	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS TOTAL FUND Return w/Overlay	0.6%	8.8%	12.6%	7.3%	8.0%	8.4%	Jun-86
Policy Index	0.5%	7.3%	10.3%	6.9%	7.9%	8.6%	
InvestorForce Public DB > \$1B	0.1%	7.7%	11.1%	7.1%	8.0%	8.3%	
SCERS TOTAL FUND Return w/o Overlay	0.7%	8.9%	12.9%	7.6%	8.1%	8.3%	Jun-86
Policy Index	0.5%	7.3%	10.3%	6.9%	7.9%	8.6%	
GROWTH ASSET CATEGORY	0.5%	11.1%	16.3%			16.3%	Mar-17
Custom Benchmark	0.3%	9.8%	14.0%			14.0%	
DIVERSIFYING ASSET CATEGORY	-0.4%	1.6%	3.2%			3.2%	Mar-17
Custom Benchmark	-0.3%	1.3%	2.9%			2.9%	
REAL RETURN ASSET CATEGORY	2.8%	10.0%	12.4%			12.4%	Mar-17
Custom Benchmark	2.7%	7.2%	8.4%			8.4%	
OPPORTUNITIES PORTFOLIO	-2.0%	-1.8%	1.7%	7.0%	4.5%	16.2%	Aug-07
Custom Benchmark	0.5%	7.3%	10.3%	6.9%	7.9%	N/A	

The Board approved a motion to receive and file the report. (9-0)

Item 12. Board Member Education – Private Credit

Lee Landrum of Tennenbaum Capital Partners' (TCP) presented information on TCP's direct lending investment strategy. SCERS committed \$100 million in November 2017, through a separate account vehicle.

The Board approved a motion to receive and file the presentation. (9-0)

*Mr. Diepenbrock departed the meeting at 11:50 a.m.

CLOSED SESSION

Item 13. Conference with Legal Counsel – Anticipated Litigation

The Chair convened a Closed Session at 11:50 a.m. to discuss potential litigation. Mr. Fowler announced following the discussion, that the board voted unanimously to authorize the Chief Executive Officer to enter into negotiations to draft a mutually agreed upon funding agreement. Any successfully negotiated agreement will be presented to the Board in a public meeting for discussion and approval. Closed Session adjourned at 12:15 p.m.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:15 p.m.

MEMBERS PRESENT: John B. Kelly, Keith DeVore, Steven L. Baird, James A. Diepenbrock (Departed at 11:50 a.m.), Ben Lamera, Alan Matré, Kathy O’Neil, Chris Pittman, John Conneally, Martha Hoover (Arrived at 10:04 a.m.), and Rick Fowler presiding

MEMBERS ABSENT: None

OTHERS PRESENT: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Robert L. Gaumer, General Counsel; Kathryn T. Regalia, Chief Operations Officer; John W. Gobel, Sr., Chief Benefits Officer; Stephen Hawley, Chief Strategy Officer; Margaret Dugger, Retirement Services Manager; Mario Sierras, Retirement Service Manager; JR Pearce, Investment Officer; Brian K. Miller, Investment Officer; John Lindley, IT Administrator; Debbie Musilli-Sidhu, Executive Assistant; Kelsey Johnson, County Counsel; Katherine Kruse, Morneau Shepell; Elise Dallain, Morneau Shepell; Elizabeth Haught, Morneau Shepell; J.D. Gleason, Linea; Korey McConachie, Linea; Margaret Jadallah, Verus Advisory, Inc.; John Nicolini, Verus Advisory, Inc.; Jamie Feidler, Cliffwater LLC; Lee Landrum, Tennenbaum Capital Partners.

Respectfully submitted,

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____