



Executive Staff:

Eric Stern
Chief Executive Officer

Steve Davis
Chief Investment Officer

Stephen Hawley
Chief Strategy Officer

Mario Sierras
Chief Benefits Officer

MINUTES

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, MARCH 20, 2019
10:00 A.M.

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

OPEN SESSION

Item 1. Call to Order — The meeting was convened at 10:01 a.m.

Item 2. Public Comment — None.

Item 3. Minutes

**The Board approved the Minutes of the February 20, 2019 meeting.
(8-0, Fowler abstained)**

CONSENT MATTERS – ITEMS 4–7:

The Board approved the Consent Matters Items 4-7. (9-0)

Item 4. Disability Retirement Applications

- A. CAMPOS, Alise; Denied a service-connected disability retirement per proposed decision of the Administrative Law Judge.
- B. STEPHENS, Wayne; Granted a service-connected disability retirement as recommended by staff.
- C. WISE, Nathan; Granted a service-connected disability retirement as recommended by staff.
- D. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

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

James A. Diepenbrock
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

Ben Lamera
Ex Officio, Director of Finance

Alan Matré, CPA
Elected by the Miscellaneous Members

Kathy O'Neil
Elected by the Retired Members

Matt Petersen
Elected by the Safety Members

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

- Item 5. Ratification of Service Retirement Application Approvals—February 2019—**
Ratified the Service Retirement Applications that were finalized in February 2019.
- Item 6. Monthly Investment Manager Activity, Compliance and Watch list Report—**
Received and filed a report on manager compliance issues from the previous month.
- Item 7. Monthly Report of New Investment Activity—February 2019—**Received and filed a report on new investment activity from the previous month.

EXECUTIVE REPORTS:

Item 8. Chief Executive Officer’s Report

Chief Executive Officer Eric Stern provided the following updates:

- Mr. Stern acknowledged the retirement of Chief Operations Officer Kathy Regalia and thanked her for 16 years of service to SCERS. Mr. Stern stated that Kathy had dedicated herself to making SCERS operate smoothly and successfully. Mr. Stern stated that SCERS is a better pension system because of Kathy’s passion and pride in her work.
- Mr. Stern announced that Mario Sierras has been promoted to Chief Benefits Officer.
- Mr. Stern provided an update on the California Supreme Court ruling on the “air time” case between the state firefighters (CalFire) and CalPERS over PEPRA’s elimination of the ability to purchase air time. Mr. Stern noted that this was the first of several big vested rights cases that we expect to see from the state’s high court over the next couple of years. He said the court affirmed the Legislature’s authority to eliminate the air-time option for new employees but was explicit that the California Rule was not under consideration in the case. Mr. Stern said the more significant vested rights case – “Alameda” – is coming up, with oral arguments in the next six months and a ruling potentially by the end of 2019.
- Mr. Stern provided an update on SCERS’ outreach effort to enroll more retirees in direct deposit. As of January 1, 2019, there were 422 retirees without direct deposit, and as of March 18, 2019, SCERS had 321 retirees that are not enrolled in direct deposit.
- Mr. Stern stated that on Friday, March 22, SCERS would be 100 days out from Phase 1 of the Pension Administration System, in which staff will process retirement applications in a paperless environment. He said SCERS has been working on change management, communications, and staff training to prepare for the transition.

Item 9. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided the following updates:

- Mr. Davis stated that the Leland James Center in Portland is the last remaining asset within the SCERS separate account real estate portfolio, but was not included in the recent sale of SCERS' separate account portfolio, as it was still in the leasing phase. The Leland James Center is 80% occupied now and SCERS has marketed the property for sale over the past couple of months. Mr. Davis stated that SCERS has been working with consultants to review the offers.
- Mr. Davis provided an update on recent investment staff travel. Investment Officer Brian Miller attended the ALTSLA Conference in Los Angeles in March. Investment Officer JR Pearce attend the Institutional Investor Real Assets Forum in Austin, Texas in late February. Deputy Chief Investment Officer Jim Donohue visited with several of SCERS' private equity and venture Capital managers in Silicon Valley in February.

ADMINISTRATIVE MATTERS:

Item 10. CEO Delegated Authority Policy for Expenses

Chief Executive Officer Eric Stern presented revisions to the CEO Delegated Authority Policy for Expenses. Mr. Stern stated that the revised policy clarifies existing practices to help facilitate payments through the Department of Finance.

The Board approved a motion to adopt the CEO Delegated Authority Policy for Expenses. (9-0)

Item 11. Actuarial Funding Risk Assessment Report

Paul Angelo and Andy Yeung of Segal Consulting presented the actuarial funding risk assessment report, as part of the new Actuarial Standard of Practice No. 51 (ASOP 51).

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

BENEFIT MATTERS:

Item 12. Post-Retirement Employment Policy—Discussion Draft

Chief Executive Officer Eric Stern presented the discussion draft of the proposed policy to clarify various aspects of the employer's administrative role and SCERS' oversight role regarding retired annuitants. Mr. Stern said that following stakeholder outreach, he would bring the policy back to the Board for final approval in May.

Mr. Stern noted that the policy defines the number of years that a member can work as a retired annuitant, with certain extensions and exceptions. Mr. Petersen asked if the duration term would be retroactive. Mr. Stern responded that the intent is not disrupt existing practices or purge the retired annuitant rolls, and said the next version of the policy will clarify how current retired annuitants will be affected.

Mr. Diepenbrock ask about the process of approving a draft policy instead of a final policy. Mr. Stern noted that two recent policies followed the same process in which the Board reviewed a draft policy for dissemination to stakeholders before final approval. Interim General Counsel Andrew L. Kjelgaard recommended the Board consider a motion to direct the Chief Executive Officer to share the policy with stakeholders for comment, instead of voting to adopt the draft policy.

The Board approved a motion to direct the Chief Executive Officer to share the policy with stakeholders and invite comment. (9-0)

INVESTMENT MATTERS:

Item 13. Education on Private Equity Investments

Chuck Esserman of TSG Consumer Partners provided an educational presentation on the firm's investment strategy in growing medium-sized consumer companies.

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

Item 14. Investment Policy Statement Revisions

Chief Investment Officer Steve Davis presented technical and clarifying revisions to the Master Investment Policy Statement (IPS) and asset category IPS's to update benchmarks, clarify signature authority for the Chief Executive Officer, and to incorporate minor language modifications.

The Board approved a motion to approve staff recommendations regarding the investment policy statements. (9-0)

Item 15. Quarterly Investment Performance Report—Alternative Assets

Jamie Feidler of Cliffwater, LLC., presented SCERS’ Alternative Assets Performance Report for the periods ending September 30, 2018, and December 31, 2018, including information regarding the Absolute Return, Private Equity, Private Credit, Real Assets, and opportunities portfolios as follows:

SCERS ALTERNATIVE ASSETS PERFORMANCE SUMMARY
Quarter Reporting Periods Ending December 31, 2018

SCERS ASSET CLASS	Quarter*	1-Year*	3-Year*	5-Year*	Since Inception*	Since Inception Date*
SCERS Absolute Return	-4.8%	-4.2%	1.7%	1.4%	3.8%	Sep-04
HFRI FoF Conservative	-2.0%	0.4%	2.1%	2.0%	3.0%	
HFRI FoF Composite + 1%	-4.1%	-5.8%	1.3%	1.8%	3.6%	
SCERS Private Equity	7.1%	26.0%	18.2%	17.1%	14.6%	Feb-08
Cambridge Private Equity/Venture Capi	3.6%	18.0%	15.2%	15.2%	13.0%	
SCERS Private Credit	2.0%	7.6%	9.4%	8.5%	8.7%	Oct-11
Credit Suisse Leveraged Loan + 2%	2.4%	7.6%	7.4%	6.4%	7.5%	
SCERS Real Assets	4.5%	15.9%	16.1%	15.9%	15.7%	Jan-13
(45%) Cambridge Private Infrastructure; (35%) Cambridge Private Energy; (20%) NCREIF Agriculture/Timber	2.0%	9.1%	9.3%	7.0%	7.2%	
SCERS Opportunities	2.0%	3.6%	6.5%	7.6%	18.4%	Jan-08
SCERS Portfolio Actuarial Rate of Return	1.8%	7.0%	7.0%	7.0%	7.0%	
<i>*Note: Periods ending 9/30/18 for Private Equity, Private Credit, Real Assets, and Opportunities Periods ending 12/31/18 for Absolute Return All returns are net IRR, except Absolute Return which is time-weighted</i>						

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Alternative Assets. (9-0)

Item 16. Quarterly Investment Performance Report—Real Estate

Jennifer Stevens of Townsend presented SCERS' Real Estate Portfolio Performance Report for the periods ending December 31, 2018 as follows:

**SCERS REAL ESTATE PERFORMANCE SUMMARY
12/31/2018**

SUB-ASSET CLASS	Quarter 12/31/18	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	1.9%	7.5%	9.8%	10.7%	8.3%	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE	1.6%	7.8%	7.7%	9.8%	6.7%	Nov-86
Core Portfolio	1.8%	7.5%	9.4%	10.1%	6.6%	Nov-86
Separate Account	5.5%	7.2%	7.7%	8.6%	8.7%	Nov-86
Commingled Funds	1.9%	9.7%	10.5%	11.7%	7.1%	Sep-13
NFI-ODCE Index	1.5%	7.4%	7.3%	9.4%	6.3%	
Non-Core Portfolio	2.5%	7.6%	11.0%	13.1%	5.7%	Jun-06
Value Add Portfolio	1.8%	6.4%	11.7%	13.1%	4.6%	Jun-06
Opportunistic	2.8%	8.6%	10.1%	21.0%	8.0%	May-13
NFI-ODCE + 1% Index	1.8%	8.4%	8.3%	10.4%	7.3%	

The Board approved a motion to receive and file the Quarterly Investment Performance Report—Real Estate. (9-0)

CLOSED SESSION

Upon conclusion of Item 16, Mr. Fowler called for a closed session at 12:08 p.m. to discuss potential litigation (Item 17) and the Chief Executive Officer performance evaluation (Item 18).

OPEN SESSION

Mr. Fowler reconvened the meeting in open session at 1:08 p.m., and announced that no action was taken during the closed session regarding potential litigation (Item 17). Mr. Fowler announced that the Board discussed the performance evaluation of the Chief Executive Officer, and approved 9-0 a 5% step increase effective March 17, 2019 (Item 18). Mr. Fowler also announced that in Closed Session on January 16, 2019 (Item 17), the Board voted 9-0 to authorize the Chief Executive Officer to execute a separation agreement with the Chief Benefits Officer, and the action has now been completed.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:08 p.m.

MEMBERS PRESENT: John B. Kelly, Keith DeVore, James A. Diepenbrock, Diana Gin, Ben Lamera, Alan Matré, Kathy O’Neil, Matt Petersen, John Conneally, Martha Hoover, and Rick Fowler presiding

MEMBERS ABSENT: None

OTHERS PRESENT: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Andrew L. Kjeldgaard, Interim General Counsel; Mario Sierras, Chief Benefits Officer; Stephen Hawley, Chief Strategy Officer; JR Pearce, Investment Officer; Brian Miller, Investment Officer; John Lindley, IT Administrator; Mario Sierras, Chief Benefits Officer; Amy Larson, Sr. Personnel Analyst; Jenna Taylor, Retirement Services Analyst; Jett Lewis, Retirement Services Analyst; Brad Akin, IT Analyst; John Kennedy, Nossaman LLP; John Nicolini, Verus Advisory, Inc.; Jennifer Stevens, The Townsend Group; Jamie Feidler, Cliffwater; Andy Yeung and Paul Angelo, Segal Consulting; Jessica Melms, and Debbie Musilli-Sidhu, Executive Secretary.

Respectfully submitted,

/S/

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____