



Executive Staff:

Eric Stern  
Chief Executive Officer

Steve Davis  
Chief Investment Officer

Stephen Lau  
General Counsel

Stephen Hawley  
Chief Strategy Officer

Mario Sierras  
Chief Benefits Officer

## MINUTES

### REGULAR MEETING OF THE BOARD OF RETIREMENT

### SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, FEBRUARY 19, 2020  
10:00 A.M.

Location: SCERS Board Room  
980 9<sup>th</sup> Street, 19<sup>th</sup> Floor  
Sacramento, California 95814

### OPEN SESSION

**Item 1. Call to Order—The meeting was convened at 10:05 a.m.**

**Item 2. Public Comment—None**

### CONSENT MATTERS – ITEMS 3-13:

**The Board approved the Consent Matters Items 3-13 (8-0).**

**Item 3. Disability Retirement Applications**

- A. FREIJ, Teodolinda; Granted a nonservice-connected disability retirement as recommended by staff.
- B. PRINCE, Christian P.; Granted a reciprocal service-connected disability retirement as recommended by staff.
- C. WOODSON, Maurice; Grant a service-connected disability retirement as recommended by staff.
- D. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

**Item 4. Minutes—Approved the Minutes of the January 15, 2020 meeting.**

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

Dave Comerchero  
Elected by the Miscellaneous Members

Diana Gin  
Elected by Miscellaneous Members

Ben Lamera  
Ex Officio, Director of Finance

Martha J. Hoover  
Elected by the Retired Members

Matt Petersen  
Elected by the Safety Members

John Conneally  
Elected by the Safety Members

Kathy O'Neil  
Elected by the Retired Members

- Item 5. Ratification of Service Retirement Application Approvals—January 2020—**  
Ratified the Service Retirement Applications that were finalized in the previous month.
- Item 6. Cost-of-Living Adjustment (COLA) effective April 1, 2020—**  
Approved the Cost-of-Living Adjustment (COLA) effective April 1, 2020.
- Item 7. Conflict of Interest Code—**  
Approved updates to the Conflict of Interest Code.
- Item 8. State Association of County Retirement Systems Legislative Update—**  
Received and filed the SACRS Legislative Update for February 2020.
- Item 9. Portfolio Allocation and Rebalancing Report—Fourth Quarter 2019—**  
Received and filed the quarterly asset allocation and rebalancing report.
- Item 10. Trading Cost Analysis and Commission Recapture—Fourth Quarter 2019—**  
Received and filed the Quarterly Trading Cost Analysis Reports for the quarter ending December 31, 2019.
- Item 11. Proxy Voting Activity Report—Fourth Quarter 2019—**  
Received and filed the report summarizing SCERS' proxy voting results for the quarter and year ending December 31, 2019.
- Item 12. Monthly Investment Manager Activity, Compliance, and Watch List Report—December 2019 and January 2020—**  
Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List report for December 2019 and January 2020.
- Item 13. Monthly Report of Investment Activity—January 2020—**  
Received and filed the report summarizing SCERS' investment activity from the previous month.

#### **EXECUTIVE REPORTS:**

**Item 14. Chief Executive Officer's Report**

Chief Executive Officer Eric Stern provided the following updates:

- Mr. Stern thanked John Conneally for his service on the Board and noted that SCERS will begin working with VRE on a special election in the coming months.
- Mr. Stern reminded the Board that Form 700 are due April 1<sup>st</sup>.
- Mr. Stern reported that changes have been made in some of the consent items, including a reduced volume of material included with disability items, high-level summaries added to the portfolio rebalancing and trading cost analysis reports, a new proxy voting activity report, and a new SACRS legislative update.
- Mr. Stern reported that he will bring revisions to the CEO Delegated Authority Policy for Expenses to the Board at the March meeting.

- Mr. Stern reported that General Counsel Stephen Lau and Chief Investment Officer Steve Davis have been working on a panel discussion for the March Board meeting about fiduciary considerations for private market investments.
- Mr. Stern provided information on upcoming education conferences for Board members.

**Item 15. Chief Investment Officer's Report**

- Mr. Davis announced that Investment Officer JR Pearce has departed SCERS for another work opportunity. Mr. Davis also announced that real-estate consultant Jennifer Stevens from The Townsend Group will be departing and starting her own business.

**ADMINISTRATIVE MATTERS:**

**Item 16. Retirement Board Election Policy**

Shannon Browning, Office Manager, and Stephen Lau, General Counsel presented the Retirement Board Election Policy to formalize procedures for conduction Board member elections.

The Board approved a motion to adopt the Retirement Board Election Policy. **(8-0)**

**Item 17. Actuarial Funding Risk Assessment Report**

Andy Yeung, Paul Angelo, and Todd Tauzer of Segal presented a risk assessment that reviewed historical factors that have caused changes in SCERS' funded status and contribution rates, and identified risks that may affect the plan's future financial condition.

The Board approved a motion to receive and file the Risk Assessment Report. **(8-0)**

**INVESTMENT MATTERS:**

**Item 18. Quarterly Investment Performance Report—Fourth Quarter 2019**

Barry Dennis of Verus Advisory provided an update of SCERS' investment performance for the previous quarter.

The Board approved a motion to receive and file the SCERS Total Fund Investment Performance Report for the quarter ending December 31, 2019. **(8-0)**

**SCERS TOTAL FUND PERFORMANCE SUMMARY**  
**Quarter Reporting Periods Ending December 31, 2019**

SCERS ASSET CLASS	Quarter	Fiscal Year-to-Date	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
<b>SCERS TOTAL FUND Return w/Overlay</b>	<b>4.9%</b>	<b>6.0%</b>	<b>17.2%</b>	<b>10.7%</b>	<b>7.8%</b>	<b>8.4%</b>	Jun-86
Policy Index	4.0%	4.9%	14.7%	8.9%	7.0%	8.5%	
InvestorForce Public DB > \$1B	5.1%	5.6%	16.9%	9.1%	7.0%	8.2%	
<b>SCERS TOTAL FUND Return w/o Overlay</b>	<b>4.8%</b>	<b>5.9%</b>	<b>16.6%</b>	<b>10.7%</b>	<b>7.9%</b>	<b>8.3%</b>	Jun-86
Policy Index	4.0%	4.9%	14.7%	8.9%	7.0%	8.5%	
<b>GROWTH ASSET CATEGORY</b>	<b>7.7%</b>	<b>8.5%</b>	<b>24.0%</b>	-	-	<b>12.6%</b>	Mar-17
Custom Benchmark	6.7%	7.2%	21.1%	-	-	10.6%	
<b>DIVERSIFYING ASSET CATEGORY</b>	<b>0.7%</b>	<b>2.3%</b>	<b>7.8%</b>	-	-	<b>3.7%</b>	Mar-17
Custom Benchmark	0.5%	1.9%	7.6%	-	-	3.8%	
<b>REAL RETURN ASSET CATEGORY</b>	<b>1.4%</b>	<b>2.9%</b>	<b>8.2%</b>	-	-	<b>8.9%</b>	Mar-17
Custom Benchmark	0.4%	1.1%	3.7%	-	-	5.6%	
<b>OPPORTUNITIES PORTFOLIO</b>	<b>2.2%</b>	<b>7.2%</b>	<b>8.6%</b>	<b>5.7%</b>	<b>6.9%</b>	<b>15.0%</b>	Oct-07
Custom Benchmark	4.0%	4.9%	14.7%	8.9%	7.0%	7.9%	
<b>DEDICATED CASH</b>	<b>0.4%</b>	<b>0.6%</b>	-	-	-	<b>0.6%</b>	Jun-19
Overnight LIBOR	0.3%	0.6%	-	-	-	0.6%	

**Item 19. 2019 Investment Year in Review and 2020 Annual Investment Plan (8-0)**

Chief Investment Officer Steve Davis, Deputy Chief Investment Officer Jim Donohue, and Investment Officer Brian Miller presented an overview of SCERS' investment activity from the previous year and highlighted the 2020 investment plans for each asset class.

The Board approved a motion to receive and file the 2019 Investment Year in Review and approved the 2020 Annual Investment Plan. **(8-0)**

**ADJOURNMENT**

There being no further business, the meeting was adjourned at 12:28 p.m.

**MEMBERS PRESENT:** John B. Kelly, James A. Diepenbrock, Diana Gin, Ben Lamera, Dave Comerchero, Martha J. Hoover, Matt Petersen, John Conneally (safety alternate), Kathy O'Neil (retiree alternate), and Keith DeVore presiding.

**MEMBERS ABSENT:** Rick Fowler

**OTHERS PRESENT:** Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Stephen Hawley, Chief Strategy Officer; Mario Sierras, Chief Benefits Officer; Jim Donohue, Deputy Chief Investment Officer; Brian Miller, Investment Officer; Debbie Chan, Senior Accounting Manager; John Lindley, Senior IT Analyst; Steven Franco, Retirement Services Analyst; Chao Thor, Disability Retirement Analyst; Joan Kudin, Public Information Officer; Jaimie Feidler, Cliffwater, LLC.; Barry Dennis, Verus Advisory, Inc.; Jennifer Stevens and Dick Brown, The Townsend Group; Andy Yeung, Paul Angelo, and Todd Tauzer, Segal Consulting 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: \_\_\_\_\_