



Executive Staff:

Eric Stern
Chief Executive Officer

Margo Allen
Chief Operations Officer

Steve Davis
Chief Investment Officer

Stephen Lau
General Counsel

Mario Sierras
Chief Benefits Officer

MINUTES

**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

Wednesday, April 20, 2022

10:00 A.M.

**Teleconference Location: SCERS Lobby Offices
980 9th Street, 19th Floor
Sacramento, CA 95814**

**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

Keith DeVore, Vice President
Appointed by the Board of Supervisors

Vacant
Appointed by the Board of Supervisors

Vacant
Appointed by the Board of Supervisors

Vacant
Elected by the Miscellaneous Members

Alina Mangru
Elected by Miscellaneous Members

Ben Lamera
Ex Officio, Director of Finance

Martha J. Hoover
Elected by the Retired Members

Jack Noble
Elected by the Safety Members

Kathy O'Neil
Elected by the Retired Members

Chris Giboney
Elected by the Safety Members

OPEN SESSION

Item 1. Call to Order/ Roll Call —The meeting was convened at 10:00 a.m.

Item 2. Public Comment
None.

CONSENT MATTERS – ITEMS 3-12:

The Board approved the Consent Matters Items 3-12 (7-0).

Item 3. Minutes of the March 16, 2022 Regular Meeting—Approved the Minutes of the March 16, 2022 Regular Meeting.

Item 4. Minutes of the March 30, 2022 Special Meeting—Approved the Minutes of the March 30, 2022 Special Meeting.

Item 5. Disability Retirement Applications

A. BUENROSTRO, Ricardo—Denied a service-connected disability as recommended by the Administrative Law Judge.

B. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions

- Item 6. Ratification of Service Retirement Application Approvals—March 2022**—Ratified the Service Retirement Applications that were finalized in March 2022.
- Item 7. State Association of County Retirement Systems Legislative Update—March 2022**—Received and filed the SACRS Legislative Update for March 2022.
- Item 8. State Association of County Retirement Systems – Board of Directors Election**—Approved the election of the officers for the 2022-23 SACRS Board of Directors Election.
- Item 9. CEO Delegated Authority for Expenses Quarterly Report – First Quarter 2022**—Received and filed the CEO Delegated Authority for Expenses Quarterly Report for First Quarter 2022.
- Item 10. Placement Agent Disclosure Report – First Quarter 2022**—Received and filed the Placement Agent Disclosure Report for First Quarter 2022.
- Item 11. Monthly Investment Manager Activity, Compliance, and Watch List Report—March 2022**—Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Report for March 2022.
- Item 12. Monthly Report of Investment Activity—March 2022**—Received and filed the report summarizing SCERS' investment activity for March 2022.

EXECUTIVE REPORTS:

Item 13. Chief Executive Officer's Report

Chief Executive Officer Eric Stern said he was reserving his comments for Item 16.

Item 14. Chief Investment Officer's Report

Chief Investments Officer Steve Davis made the following remarks:

- Estimated that the SCERS portfolio was down between 2% and 3% in the most recent quarter. Both equities and fixed income were drags on the portfolio, down between 5% and 7%, while real return assets were positive, as they tend to hold inflation sensitive assets. Through the first 3 quarters of SCERS' fiscal year, the portfolio is up approximately 3%, with one quarter left. Verus will provide the quarterly performance report at the May meeting.
- Provided an overview of upcoming investment agenda items. In May, Staff will presenting a manager recommendation for the Global Equity Search. Staff will also discuss the consulting contracts for Verus and Townsend, which are set to expire at the end of June. In June, Staff expects to present a recommendation for the Portfolio Analytics and Risk Management system. Staff also will recommend updates to the investment policy statements (Master IPS and asset category IPSs)

to incorporate the recent strategic asset allocation and asset class structural revisions, in addition to other updates.

- Summarized recent staff travel, which has resumed after two years of almost no travel due to the pandemic. Over the next several quarters, Investment Staff has several business trips planned, including investment conferences and manager meetings, including trips to New York, Chicago, Los Angeles, and the Bay Area. Managers are also coming through Sacramento for meetings at a more frequent pace.

Item 15. Chief Benefits Officer's Report

Chief Benefits Officer Mario Sierras said he was reserving his comments for Item 16.

ADMINISTRATIVE MATTERS:

Item 16. Strategic Management Plan Quarterly Performance Report

Mr. Stern and Mr. Sierras presented the Strategic Management Plan quarterly performance report.

The Board approved a motion to receive and file the report. **(7-0)**

Item 17. SCERS Pension Administration System Quarterly Report

Mr. Stern presented the Pension Administration System quarterly report.

Mr. DeVore asked staff to include more detail in subsequent reports about how much progress has been made on the PAS project in addition to the budgetary information. Mr. Stern agreed to include the information in the next quarterly report.

The Board approved a motion to receive and file the quarterly report. **(7-0)**

Item 18. Data Conversion Services

Mr. Stern presented the recommendation to authorize the Chief Executive Officer to extend contract with Icon Integration and Design through December 31, 2023 for data conversion services, and increase the maximum contract amount not to exceed \$180,155.

Mr. Lamera asked about knowledge transfer when data conversion is complete. Mr. Stern responded that the data conversion experts are trouble-shooting at this point and will not be needed once the new system is fully live and all data issues are resolved.

The Board approved a motion to adopt the staff recommendation. **(7-0)**

Item 19. Project Management and Oversight Services

Mr. Stern presented the recommendation to authorize the Chief Executive Officer to amend contact with Linea Consulting to provide project management and oversight services through the remainder of the Pension Administration System project, not to exceed \$1.5 million.

Mr. Lamera asked if Linea support will be needed after June 30, 2023. Mr. Stern responded that project management support will likely be needed past that date; however, he said he was only comfortable budgeting for an additional fiscal year at this time. He added that the Linea staffing level is likely to be scaled appropriately as the project schedule is revised. Mr. DeVore asked if Linea staffing will decrease as SCERS fills vacancies and new positions. Mr. Stern said the number of system-acceptance testers from Linea may decrease if SCERS is able to add sufficient staff to take on those duties.

The Board approved a motion to adopt the staff recommendation. **(7-0)**

Item 20. SCERS 2022-23 Proposed Budget

Chief Operations Officer Margo Allen presented the recommendation to approve the Operating Expense Budget of approximately \$20.1 million and 63 positions for fiscal year 2022-23.

Mr. Lamera asked about the proposed increase in the training budget. Ms. Allen responded that SCERS needs consultant support to build a full training curriculum for staff, particularly with recent staff turnover and new hires.

Mr. DeVore asked how the requested new positions compare to the vacant positions. Mr. Stern said that the budget includes three additional Retirement Benefit Specialists, and SCERS has had few vacancies with that position in the last year.

Mr. Giboney asked for clarification on legal costs. Mr. Stern responded that SCERS retains outside counsel for disability retirement appeals, investment contracts, litigation matters, and tax advice. Mr. Giboney also asked what the budget includes to help with staff retention. Mr. Stern responded that filling vacancies and adding positions will help staff manage workload and improve morale. Ms. Allen added that SCERS is developing a new telework plan to provide staff flexibility to work from home now that the office has re-opened and all staff have returned to the office.

Mr. Noble asked about the length of the building lease. Mr. Stern responded that SCERS has a 10-year lease that was renewed last year.

Ms. Mangru asked for additional detail on past-year expenditures. Final action was delayed until after Item 21 to allow the Board time to review materials provided by Ms. Allen. Mr. Stern noted the additional information will be posted on the SCERS website with the agenda item materials.

The Board approved a motion to approve the staff recommendation. **(7-0)**

INVESTMENT MATTERS:

Item 21. Private Equity Secondary Sales: Education and Implementation

Chief Investments Officer Steve Davis and Jaime Fiedler from Cliffwater presented the education on implementation considerations for secondary sales of private equity investments.

The Board approved a motion to take the following actions: receive and file the education presentation on secondary sales within the private markets; authorize Staff to select and retain an advisory firm to lead a secondary sales process for Fund of Funds investments in the private equity portfolio; and, direct Staff to make conforming changes to the implementation protocols in the Growth Equity Investment Policy Statement. Deliberation and action. **(7-0)**

CLOSED SESSION

Mr. Fowler called for a closed session at 12:09 p.m. to discuss anticipated litigation. Following the closed session, Mr. Fowler announced that no actions were taken.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:38 p.m.

MEMBERS PRESENT: Keith DeVore, Ben Lamera, Alina Mangru, Jack Noble, Martha Hoover, Chris Giboney, Kathy O'Neil, and Rick Fowler presiding.

MEMBERS ABSENT: None.

OTHERS PRESENT: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Margo Allen, Chief Operations Officer; Mario Sierras, Chief Benefits Officer; Stephen Lau, General Counsel; Casey Als, Supervising IT Analyst; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Senior Investment Officer; Jamie Feidler, Cliffwater LLC; John Nicolini, Verus; and Patrick Richardson, Byers/Richardson.



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
May 18, 2022

AGENDA ITEM:

Minutes of the April 20, 2022 Regular Meeting

THE BOARD OF RETIREMENT hereby approves the Minutes of the April 20, 2022 regular meeting.

I HEREBY CERTIFY that the above order was passed and adopted on May 18, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Richard B. Fowler II
Board President

Eric Stern
Chief Executive Officer and
Board Secretary