



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

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

MINUTES

**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

**WEDNESDAY, MAY 18, 2022
10:00 A.M.**

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

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

**6616 Chiquita Way
Carmichael, CA 95608**

Live-stream at www.scers.org

OPEN SESSION

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

Item 2. Public Comment – None.

Mr. Fowler called for a closed session at 10:05 a.m.

CLOSED SESSION

Item 3. Conference with Legal Counsel—Initiate Litigation

Pursuant to Government Code section 54956.9(d)(4), this session shall be closed for the Board to discuss a decision whether to initiate litigation in one (1) case.

Item 4. Public Employee Performance Evaluation—Chief Executive Officer

Public employee performance evaluation pursuant to Government Code section 54957(b)(1).

The Board returned to open session at 10:38 a.m. Mr. Fowler announced that no actions were taken.

OPEN SESSION

CONSENT MATTERS – Items 5-14:

Consent matters are acted upon as one unit. If the Chair removes an item from the Consent Calendar for discussion, it will be heard as the last item(s) of the Administrative Matters, Benefit Matters, Investment Matters or Closed Session, as appropriate. If a Consent item containing one or more recommendations to the Board is approved on Consent the recommendation(s) therein are approved.

- Item 5. Minutes of the April 20, 2022 Regular Meeting** – Approved the Minutes of the April 20, 2022 Regular Meeting.
- Item 6. Disability Retirement Applications** – Approved the Disability Retirement Applications.
- A. CHAN, Timothy; Granted a service-connected disability retirement as recommended by staff.
 - B. EISERT, Gregory; Granted a reciprocal service-connected disability retirement as recommended by staff.
 - C. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions
- Item 7. Felony Forfeiture Review** – Adopted staff recommendation to enforce Felony Forfeiture statute against Ryan McGowan.
- Item 8. Ratification of Service Retirement Application Approvals – April 2022** – Ratified the Service Retirement Applications that were finalized in April 2022.
- Item 9. State Association of County Retirement Systems Legislative Update – May 2022** – Received and filed the State Association of County Retirement Systems Legislative Update for May 2022.
- Item 10. Trading Cost Analysis Report – First Quarter 2022** – Received and filed the Trading Cost Analysis Report for the First Quarter of 2022.
- Item 11. Proxy Voting Activity Report – First Quarter 2022** – Received and filed the Proxy Voting Activity Report for the First Quarter of 2022.

Item 12. Portfolio Allocation and Rebalancing Report – First Quarter 2022 – Received and filed the Portfolio Allocation and Rebalancing Report for the First Quarter of 2022.

Item 13. Monthly Investment Manager Activity, Compliance, and Watch List Report – April 2022 – Received and filed the Monthly Investment Manager Activity, Compliance, and Watch List Report for April 2022.

Item 14. Monthly Report of New Investment Activity – April 2022 –

EXECUTIVE REPORTS:

Item 15. Chief Executive Officer’s Report

Chief Executive Officer Eric Stern provided the following notes regarding current legislation, as detailed in Item 9 on the agenda:

- The State Association of County Retirement Systems has two bills that are moving through the Legislature, AB 1824 and AB 1971, that make minor administrative and technical changes to the CERL and provide some better conformity and parity with CalPERS statutes.
- SB 1328 would prohibit public retirement boards from investing public employee retirement funds in a company with business operations in Russia or Belarus, among other requirements. The bill passed out of the Senate Labor, Public Employment and Retirement Committee and Senate Governmental Organization Committee unanimously. It will be heard in Senate Appropriations Committee next. SACRS submitted a letter of concern on this bill.
- AB 2493 would require county governments to make peace officers and firefighters whole if the retirement system made corrections for disallowed compensation. This bill is aimed at members impacted by the Alameda ruling and raises many important legal and administrative questions, and has a potentially large financial impact on counties. The bill passed out of Assembly and is now on the Senate side. The bill is moving quickly and the county retirement systems have been providing technical input to the committee and working with our respective county government affairs staff on the potential impact.
- Public Meeting Bills: During the pandemic, public agencies have relied upon the Brown Act flexibilities created via Executive Order and previous legislation to continue to conduct business while keeping the public and members safe. As the pandemic evolves, public agencies continue to recognize the benefits of teleconferencing, and multiple bills have been introduced on the topic this year to continue teleconference flexibilities. AB 1944 would allow legislative body members to use teleconferencing without identifying each teleconference location in the notice/agenda and without making each teleconference location accessible to the public. SACRS is supporting this bill. The bill passed out of the Assembly Local Government Committee and the bill will go to the Assembly Floor for a vote later this month. AB 2449 would allow a local agency to use teleconferencing for a public meeting if at least a quorum of members of the legislative body participate in person from a single location that is identified on the agenda and is open to the public within the local agency’s jurisdiction, among other requirements. The bill passed out of the Assembly Local Government Committee and will go to the Assembly Floor for a vote later this month.

- AB 551 would extend the disability retirement presumption for COVID-19 until January 1, 2025. It currently expires on January 1, 2023.

Item 16. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided the following updates on investment matters:

- The Verus first quarter performance report to be presented later in the meeting reflects SCERS' prior strategic asset allocation, including the prior policy index benchmark with the prior asset allocation targets. The second quarter Verus report will be adjusted to reflect the revised strategic asset allocation and policy index benchmark.
- Most portfolio segments have struggled in 2022,, including equities and fixed income, while others are doing relatively well in the current environment, such as less correlated absolute return, and inflation sensitive real estate and real assets .
- SCERS' private equity allocation now has a weighting of 14.1%, which is slightly above the top of the target range. Private equity has an 11% target allocation, with a range of 9% to 14%. Private equity has outperformed all other asset classes over the past couple of years, which accounts for the overweight. Cliffwater forecasts the private equity allocation coming back in line with the 11% target over the next 1-2 years, based on projected fund commitments, capital drawdowns, and distributions. Staff and Cliffwater are currently exploring selling SCERS' legacy fund of fund positions over the next quarter, which will assist in getting the allocation within range over a shorter time frame.
- For the June meeting, Staff expects to present a recommendation for portfolio analytics and risk Management software, as well as updates to the investment policy statements to incorporate the recent asset allocation and asset class structural revisions.

Item 17. Chief Benefit Officer's Report

Chief Benefits Officer Mario Sierras provided the following updates:

- Retirement application processing performance has improved and stabilized consistently for the most recent 5 months;
 - 69 retirement applications were processed in April 2022; an increase over the 60 applications processed in March 2022.
 - Median turnaround time for retirees receiving their first retirement payments was 56 days in April 2022, which is an improvement from 62 days in March 2022;
 - 55% of retirees received their first retirement payments within 60 days in April 2022; an improvement from 46% in March 2022;
- Staff is on track for clearing peak season volumes—defined as having March and earlier retirement dates or paid by the end of May;

- Recruitment efforts to fill vacancies and onboarding and training of new employees hired in recent months continue. Two former SCERS employees recently returned to SCERS, one of which is serving in an acting supervisor position;
- A job classification study went to the Civil Service Commission last week for approval of proposed changes to the Retirement Services job classifications. The Study was approved by the Commission and is now expected to go to the Board of Supervisors for approval in July. If approved, these proposed changes are expected to positively impact SCERS' recruitment efforts to fill supervisory level vacancies.

ADMINISTRATIVE MATTERS:

Item 18. Pension Administration System Contract

Mr. Stern provided an overview of the replanning efforts and contract negotiations for the Pension Administration System. The Board approved a motion to authorize the Chief Executive Officer to amend the Pension Administration System contract with LifeWorks and execute any necessary agreements. **(7-0)**

INVESTMENT MATTERS:

Item 19. Global Equity Manager Recommendations

Mr. Davis and Senior Retirement Investment Officer Brian Miller presented the staff and Verus recommendation of Artisan Partners and Nikko Asset Management. Chip Ridley and Jason White, from Artisan Partners; and, Lawrance Remstedt, Johnny Russell, and Greig Bryson Nikko Asset Management Partners provided presentations on behalf of their firms.

Mr. Fowler asked if Artisan, given the larger firm size with a variety of investment strategies, has the proper scale and resources to conduct the deep analysis needed for the Global Opportunities strategy. Artisan responded that there is a dedicated team for their growth strategy, which the Global Opportunities strategy is a part of, and in which SCERS would be investing.

Mr. DeVore asked for clarification on the allocation sizes. Mr. Davis responded that the \$125 million estimates for each manager may fluctuate based on how market movements are affecting the allocation size, which is tied to a percentage of the portfolio.

The Board approved a motion to invest approximately \$125 million with Artisan Partners (Global Opportunities strategy) and \$125 million with Nikko Asset Management (Global Equity strategy), and authorize the Chief Executive Officer to execute necessary documents and agreements for each mandate; and authorize Staff to determine the most effective method for transitioning assets and execute any necessary documents or agreements to effectuate the transition of assets. **(7-0)**

Item 20. General Investment Consultant Contract

Mr. Davis presented the staff recommendation to extend the Verus Advisory, Inc. contract.

Mr. DeVore asked about the provision for a 30-day termination notice given that a transition between consultants would take more time. Mr. Davis responded that a short termination notice is standard and would happen only under an extreme circumstance. He noted that prior consultant searches have taken several months and would be part of a planning process.

The Board approved a motion to renew and extend the contract with Verus Advisory, Inc. for general investment consulting services, for a three-year term, and authorize the Chief Executive Officer to execute documents necessary to update the contract. **(7-0)**

Item 21. Real Estate Investment Consultant Contract

Mr. Davis, presented the staff recommendation to extend the Townsend Group contract.

The Board approved a motion to renew and extend the contract with The Townsend Group (for real estate investment consulting services, for a three-year term, and authorize the Chief Executive Officer to execute documents necessary to update the contract. **(7-0)**

Item 22. Total Fund Quarterly Investment Performance Report – First Quarter 2022

John Nicolini from Verus presented the Total Fund Quarterly Investment Performance Report for the First Quarter of 2022.

The Board approved a motion to receive and file the report. **(6-0)**. Mr. Fowler left the meeting before the item was concluded.

ADJOURNMENT

There being no further business, Mr. DeVore adjourned the meeting at 1:05 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; Brian Miller, Senior Retirement Investment Officer; Casey Als, Supervising IT Analyst; John Nicolini, Verus; Chip Ridley and Jason White, Artisan Partners; Lawrance Remstedt, Grieig Bryson, and Johnny Russell, Nikko Asset Management.



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
June 15, 2022

AGENDA ITEM:

Minutes of the May 18, 2022 Regular Meeting

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file the Minutes of the May 18, 2022 Regular Meeting.

I HEREBY CERTIFY that the above order was passed and adopted on June 15, 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