



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 13

MEETING DATE: April 19, 2023

SUBJECT: Quarterly Investment Manager Compliance and Watch List Report—First Quarter 2023

SUBMITTED FOR: Consent Deliberation and Action Receive and File

RECOMMENDATION

Receive and file the Quarterly Investment Manager Compliance and Watch List report for the First Quarter 2023.

PURPOSE

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

DISCUSSION

The Investor Manager Compliance and Watch List report provides reporting related to investment managers on the Watch List and material investment compliance violations from investment guidelines.

SCERS' investment manager transactions have been reviewed for compliance with their respective investment guidelines and objectives. No compliance violations have been found.

As of March 31, 2023, the following managers were on the Watch List:

- Third Point Partners (Global Equity)
- Prudential Investment Management (Fixed Income)

Staff removed Sculptor Capital Management Group from the Watch List as a result of SCERS' recent full redemption request from the fund. Prudential Investment Management (PGIM), a core plus fixed income manager, was added to the Watch List for organizational changes. PGIM announced the upcoming retirement of several senior professionals within the organization in 2024, who have been with PGIM for several decades. These include PGIM's President and CEO, a Senior Portfolio Manager, and the firm's Co-Head of U.S. Investment Grade Corporate Bonds. PGIM has put succession planning in place for all three positions. While the retirements are not immediate, Staff is placing PGIM on the Watch List to notify the Board of the upcoming organizational changes, and will monitor the changes for potential impacts.

Staff and the investment consultants will continue to monitor the performance and/or organizational concerns for SCERS' investment managers and update the Watch List accordingly.

ATTACHMENTS

- Board Order
- Quarterly Watch List and Compliance Report – First Quarter 2023

Prepared by:

/S/

Michael Vang
Investment Analyst

Reviewed by:

/S/

Steve Davis
Chief Investment Officer

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
April 19, 2023

AGENDA ITEM:

**Quarterly Investment Manager Compliance and Watch List Report—
First Quarter 2023**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Quarterly Investment Manager Compliance and Watch List Report for the First Quarter 2023.

I HEREBY CERTIFY that the above order was passed and adopted on April 19, 2023 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

Keith DeVore
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
Quarterly Compliance Report - March 2023

#	Investment Manager	Fund Type	Net Asset Value (as of March 2023)	Report Month	Compliance Violation	Commentary
None						

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
Quarterly Investment Manager Watch List - March 2023

#	Investment Manager	Fund Type	Net Asset Value (as of March 2023)	Reason	Effective (month - year)	Commentary
1	Third Point Partners	Global Equity	\$ 62,249,990	Portfolio Construction and Operational Concerns	Jan-23	Third Point Partners, L.P. is an absolute return fund that resides within SCERS' Global Equity portfolio and was placed on the Watch List due to an increase in private equity exposure and operational concerns. The Fund employs an event-driven, opportunistic investment strategy to invest globally across asset classes including, public equity, credit, and private equity securities. Although the fund invests across asset classes, it is predominately invested in public equity. However, with the public equity portfolio facing significant decline in 2022, the private equity exposure has increased as a percentage of the overall portfolio from 4% in June 2021 to over 9% as of October 2022. The increase in private equity exposure creates a potential liquidity mismatch risk to investors. Staff will closely monitor Third Point going forward.
2	Prudential Investment Management (PGIM)	Fixed Income	\$ 339,898,762	Organization	Mar-23	PGIM is a core plus fixed income manager that allocates across government securities, investment grade corporate bonds, and higher yielding securities such as high-yield bonds and structured credit. The firm is undergoing some organizational changes in 2024, with the retirement of several key members of senior leadership. Staff was informed that there is a succession plan for these retirements and appointments will occur over the next 12 months. The retirements are not immediate; however, Staff is placing PGIM on the watchlist to notify the Board and will continue to monitor the changes for potential impacts.