



Executive Staff:

Eric Stern
Chief Executive Officer

Margo Allen
Chief Operations Officer

Steve Davis
Chief Investment Officer

MINUTES

**REGULAR MEETING
OF THE
BOARD OF RETIREMENT**

**SACRAMENTO COUNTY EMPLOYEES'
RETIREMENT SYSTEM**

**WEDNESDAY, APRIL 19, 2023
10:00 A.M.**

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

Agenda Item 3

Members of the Board of Retirement:

Keith DeVore, President
Appointed by the Board of Supervisors

James Diepenbrock, Vice President
Appointed by the Board of Supervisors

Robert Aguallo Jr.
Appointed by the Board of Supervisors

Ronald Suter
Appointed by the Board of Supervisors

Joyce Renison
Ex Officio, Interim Director of Finance

Alina Mangru
Elected by the Miscellaneous Members

M. Tapa Banda
Elected by the Miscellaneous Members

Jack Noble
Elected by the Safety Members

Chris Giboney
Elected by the Safety Members (Alternate)

Martha Hoover
Elected by the Retired Members

Dave Irish
Elected by the Retired Members (Alternate)

Item 1. **Call to Order/Roll Call**

Eric Stern, Chief Executive Officer (CEO), announced that the meeting would be not live-streamed due to technical difficulties. President DeVore called the meeting to order at 10:00 a.m. Mr. Stern took roll call.

Board members Present: DeVore, Diepenbrock, Suter, Banda, Mangru, Noble, Giboney, Hoover, Irish.

Board members Absent: Aguallo, Renison.

Also present: Eric Stern, Chief Executive Officer (CEO); Margo Allen, Chief Operations Officer (COO); Steve Davis, Chief Investment Officer (CIO); Patrick Richardson, Interim General Counsel; JR Pearce, Chief Investment Officer; and Carolyn Hill, Executive Secretary.

President DeVore announced the Consent Calendar would be considered before the Closed Session.

Item 2. **Public Comment**

None.

CONSENT MATTERS – Items 4 - 13:

A motion was made by Board Member Suter, seconded by Vice President Diepenbrock, to approve recommendation on the Consent Calendar Items 4 - 13. The motion carried 7-0.

- Item 4. **Minutes of March 15, 2023 Regular Meeting**—Approved the Minutes of the March 15, 2023 Regular Meeting.
- Item 5. **Disability Retirement Applications**—Approved the Disability Retirement Applications.
 - A. CLARK, Kenneth—Granted a service-connected disability as recommended by Staff.
 - B. HARRIS, Kimberly—Granted a nonservice-connected disability as recommended by Staff.
 - C. SCHAEFERS, James—Granted a service-connected disability as recommended by Staff.
 - D. SMALL, Aaron—Granted a service-connected disability as recommended by Staff.
- Item 6. **Ratification of Service Retirement Application Approvals—March 2023**—Ratified the Service Retirement Applications that were finalized in March 2023.
- Item 7. **State Association of County Retirement Systems Legislative Update—April 2023**—Received and filed the SACRS Legislative Update for April 2023.
- Item 8. **State Association of County Retirement Systems—Board of Directors Election**—Approved the election of officers for the 2023-24 SACRS Board of Directors, as recommended by the SACRS Nominating Committee.
- Item 9. **CEO Delegated Authority Expense Report—First Quarter 2023**—Received and filed the CEO Delegated Authority Expense Quarterly Report for quarter ended March 2023.
- Item 10. **Conflict of Interest Code**—Approved the Conflict of Interest Code, as amended.
- Item 11. **Placement Agent Disclosure Report – First Quarter 2023**—Received and filed the Placement Agent Disclosure Report – First Quarter 2023.
- Item 12. **Monthly Report of New Investment Activity – March 2023**—Received and filed the Monthly Report of New Investment Activity – March 2023.
- Item 13. **Quarterly Investment Manager Compliance and Watch List Report – First Quarter 2023**—Received and filed the Quarterly Investment Manager Compliance and Watch List Report – First Quarter 2023.

At 10:03 a.m., President DeVore called for the closed session.

CLOSED SESSION

Item 3. **PUBLIC EMPLOYEE APPOINTMENTS**

Pursuant to Government Code section 54957(e), this session shall be closed for the Board to discuss the following public employee appointments.

Retirement General Counsel
Assistant Retirement Administrator-Benefits (Chief Benefits Officer)

OPEN SESSION

At 10:18 a.m., following the closed session, President DeVore reconvened the meeting in Open Session and announced there were no actions to report.

EXECUTIVE REPORTS:

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

Mr. Stern provided an update on Sacramento County Deputy Sheriffs' Association vs. SCERS lawsuit stating the Sacramento County Superior Court issued the final ruling in this case that was initially filed in 2019 resolving all disputed issues in SCERS' favor and that DSA has 60 days to file an appeal.

Mr. Stern also provided an update on the Ad Hoc Committee – Investment Communications, recommending the Committee be dissolved as progress has been met strengthening the partnership between the Board and Staff to improve investment recommendation memos and various Board reports on the consent calendar.

President DeVore declared the Ad Hoc Committee – Investment Communications dissolved.

Lastly, Mr. Stern provided an update on legislative bills AB 1020 (Grayson) – CERL Disability Presumptions and SB 537 (Becker) – Teleconference Flexibilities currently moving through the Capitol.

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

Mr. Davis provided updates on SCERS' portfolio, estimating that the SCERS' portfolio was up a bit over 3% for both the first quarter and for the fiscal year to date.

- Public equities were the strongest performer, up over 6%.
- Long duration interest rates fell during the quarter which led to Fixed Income up around 3%.
- Private equity, which is lagged a quarter, was flat, after several quarters of negative returns.
- Private Credit (also lagged a quarter) continues to hold up well and was up over 1%.

- Real Assets (also lagged a quarter), was up 3%, and continues to be the best overall performing asset class over the past year.
- Real Estate returns were down 3%, and now have two straight quarters of negative returns, after a stellar year prior.
- Absolute return continues to be resilient, and was up 1% for the quarter.
- Liquid Real Return was also up 1% for the quarter.
- General Investment Consultant Verus will present the total portfolio performance at the May Board meeting.

Mr. Davis also noted the outcomes of the Ad Hoc Committee:

- Revised the Staff reports for potential alternative asset investments to provide essential summary information, followed by more in depth, but succinct, information across several categories.
- Determined that a few reports that are presented quarterly will be moving to annual reports, including Transaction Cost Analysis, Placement Agent Disclosure, and Proxy Voting.
- Directed Staff to develop an annual investment operations report that will include current administrative reports, as well as annual reporting on peripheral investment revenue streams, such as Securities Lending, Commission Recapture, and Tax Dividend Reclaims.
- Noted that a few existing policies reference quarterly reporting, so policies will be adjusted at upcoming Board meetings.

ADMINISTRATIVE MATTERS:

Item 16. CEO Delegated Authority Policy for Personnel

Mr. Stern presented the staff report recommending the Board approve new policy to formalize existing practices regarding the Chief Executive Officer's authority for personnel matters.

After discussion, Mr. Stern stated he will bring item to a future Board meeting with suggested amendments.

Item 17. Actuarial Services

Ms. Allen presented the staff report recommending the Board authorize the CEO to renew the actuarial services contract with Segal.

The Board approved a motion to authorize the CEO to renew actuarial services contract with Segal for one (1) year, through June 30, 2024, in an amount not to exceed \$150,000. **(7-0)**

Item 18. Financial Audit Services

Ms. Allen presented the staff report recommending the Board authorize the CEO to renew the financial audit services contract with Brown Armstrong; and responded to questions.

The Board approved a motion to authorize the CEO to renew financial audit services contract with Brown Armstrong for three (3) years, through June 30, 2026, in an amount not to exceed \$227,000. **(7-0)**

Item 19. Annual Budget for Fiscal Year 2023-24

Mr. Stern and Ms. Allen presented the staff report on the annual budget; and responded to questions.

The Board approved a motion to approve an annual budget of approximately \$37.7 million and 76 positions for fiscal year 2023-24. **(7-0)**

INVESTMENT MATTERS:

Item 20. Dedicated Cash Allocation

Mr. Davis presented the staff report recommending approval to reallocate upcoming Absolute Return redemption proceeds into SCERS' dedicated cash allocation on an interim basis, instead of the Overly Program, while a replacement search is conducted; and responded to questions.

The Board approved a motion to reallocate upcoming Absolute Return redemption proceeds into SCERS' dedicated cash allocation on an interim basis, instead of the Overly Program, while a replacement search is conducted. **(7-0)**

At 11:55 a.m., there being no objection, President DeVore recessed the meeting until 12:05 p.m.

At 12:05 p.m., President DeVore reconvened the meeting.

Item 21. Education: Absolute Return Trend-Following Strategies

Mr. Davis presented the staff report providing a brief background of the market, introduced Jennifer Whelen of Graham Capital, who provided a presentation on the Absolute Return Trend-Following Strategies; and responded to questions.

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

ADJOURNMENT

There being no further business, President DeVore adjourned the meeting at 12:36 p.m.



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
May 17, 2023

AGENDA ITEM:

Minutes of the April 19, 2023 Regular Meeting

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the Minutes of the April 19, 2023 Regular Meeting.

I HEREBY CERTIFY that the above order was passed and adopted on May 17, 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