



Executive Staff:

Eric Stern
Chief Executive Officer

Margo Allen
Chief Operations Officer

Steve Davis
Chief Investment Officer

Keith Riddle
Chief Benefits Officer

Timothy Taylor
Chief Technology Officer

Jason Morrish
General Counsel

MINUTES

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Members of the Board of Retirement:

James Dipenbrock, President
Appointed by the Board of Supervisors

Robert Aguallo, Jr., Vice President
Appointed by the Board of Supervisors

Keith DeVore
Appointed by the Board of Supervisors

Ronald Suter
Appointed by the Board of Supervisors

Chad Rinde
Ex Officio, 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)

WEDNESDAY, DECEMBER 6, 2023

10:00 A.M.

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

Live-stream at www.scers.org

OPEN SESSION

Item 1. Call to Order/Roll Call

President Diepenbrock called the meeting to order at 10:02 a.m. Eric Stern, Chief Executive Officer, took roll call.

Board Members Present: Diepenbrock, Aguallo, Devore, Suter, Rinde, Mangru, Noble, Giboney, Hoover, Irish.

Board Members Absent: Banda.

Also present: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Tim Taylor, Chief Technology Officer; Keith Riddle, Chief Benefits Officer; Jason Morrish, General Counsel; Jose Martinez, Senior Accounting Manager, JR Pearce, Senior Retirement Investment Officer; Jim Donohue, Senior Retirement Investment Officer, Brian Miller, Senior Retirement Investment Officer, Ashwin Prasad, Accounting Manager.

Mr. Stern requested to remove Item 6B from the agenda and to pull Item 9 for separate consideration. President Diepenbrock agreed, without objection from the Board.

Item 2. Public Comment

None.

CONSENT MATTERS – Items 3 - 11:

A motion was made by Board Member Mangru, seconded by Board Member Noble, to approve the recommendations on Consent Calendar Items 3-6A, 7-8 and 10-11. (Adopted 9-0.) Item 6B was not considered as referenced above. Item 9 was pulled for separate consideration as referenced below.

Item 3. Minutes of the October 18, 2023 Regular Meeting

Recommendation to approve the minutes of the October 18, 2023 Regular Meeting.

Item 4. Minutes of the November 14, 2023 Audit Committee Meeting

Recommendation to approve the minutes of the November 14, 2023 Audit Committee Meeting.

Item 5. Minutes of the November 15, 2023 Regular Meeting

Recommendation to approve the minutes of the November 15, 2023 Regular Meeting.

Item 6. Disability Retirement Applications

Recommendation to adopt Staff's recommendations for the following Disability Retirement Applications:

A. SULLIVAN, Kellie (Operator/Dispatcher, Department of Technology): Grant a service-connected disability retirement.

Recommendation to adopt Proposed Decision of Administrative Law Judge for the following Disability Retirement Applications:

B. SILVA, Richard (Maintenance and Operations Assistant, Sacramento Area Sewer District): Deny a service-connected disability retirement.

Item 7. Service-Connected Death Benefit Applications

Recommendation to adopt Staff's recommendations for the following Service-Connected Death Benefit Applications:

A. TORRES, Mike (Senior Deputy Probation Officer, Probation Department): Grant a service-connected death benefit.

Item 8. Ratification of Service Retirement Application Approvals—October 2023

Recommendation to ratify the Service Retirement Application Approvals for October 2023.

Item 9. Board Meeting Calendar 2024

Recommendation to approve the Retirement Board Meeting Calendar for 2024.

Mr. Stern explained that the proposed 2024 calendar inadvertently included June 19, 2024, a County holiday (Juneteenth), and recommended an alternative June meeting date of June 26, 2024.

Following discussion, a motion was made by Board Member Suter, seconded by Board Member DeVore, to approve the modified recommendation. Following further discussion, Board Member Suter rescinded the motion. A motion was then made by Board Member Rinde, seconded by Board Member DeVore, to approve the Retirement Board Meeting Calendar for 2024, modified to reflect a June meeting date of June 20, 2024, instead of June 19, 2024. **(Adopted 9-0.)**

Item 10. Monthly Report of Investment Activity—October and November 2023

Recommendation to receive and file the Monthly Report of Investment Activity—October and November 2023.

Item 11. Portfolio Allocation and Rebalancing Report—Third Quarter 2023

Recommendation to receive and file the Portfolio Allocation and Rebalancing Report for quarter ended September 30, 2023.

EXECUTIVE REPORTS:

Item 12. Chief Executive Officer's Report

Mr. Stern highlighted a recent SCERS newsletter article reporting that 76% of retirees stay in Sacramento and surrounding counties, amounting to more than \$600 million in pension benefits paid every year that helps support the local economy.

Mr. Stern recently met with the Sacramento County Retired Employees Association (SCREA) regarding new member enrollment issues. Approximately 4,000 out of 13,000 retirees are SCREA members, but new member enrollment has dropped significantly since 2020, due in part to a move to online retirement planning and education outreach. Mr. Stern stated that SCERS has added SCREA's membership application to the SCERS website and is planning to provide SCREA information materials in the office for members who make on-site appointments.

Mr. Stern then reported on activity related to DROP programs that are being discussed formally and informally in many counties, including Sacramento, with a stated goal of recruiting and retaining safety employees. San Diego County supervisors approved an agenda item this week to conduct a financial study on DROP programs. Mr. Stern noted that SACRS Legislative Committee has sent an information request to the California Actuarial Advisory Panel to clarify components of the cost-neutral requirement in the CERL, and a response is expected in the first quarter of 2024.

Mr. Stern updated the Board regarding the Sanitation District separation from Sacramento County expected on January 1, 2025. The plan calls for District employees to remain with SCERS and for the District to be apportioned a share of unfunded liabilities from the County. SCERS is working closely with the County, the District, actuaries, and counsel on the necessary steps, which will include legislation and formal Board action to bring in a new employer.

Mr. Stern concluded by announcing that the Employer Forum is scheduled for February 23, 2024 and thanking the Board and Staff for a productive year.

Item 13. Chief Investment Officer's Report

Mr. Davis addressed some of the upcoming Board education sessions that were referenced during last month's Investment Year in Review, leading up to the next asset

liability study that is being targeted for late 2024. Staff and Verus will kick off in January with a high-level overview of the SCERS portfolio that includes:

- The evolution and timeline of the current strategic asset allocation.
- The investment objectives and investment philosophy of SCERS as identified in the Master IPS.
- A preview of the asset liability study modeling process.

Mr. Davis indicated that, over the following months, Staff and SCERS' investment consultants will take a deep dive into SCERS' various asset classes to assist the Board in understanding:

- The roles and objectives of each asset class.
- Asset class construction.
- Performance of the asset classes in meeting their objectives.
- Macro trends within the asset classes.

Mr. Davis stated that, at the January meeting, Staff and Verus will present some ESG language for the Board to consider within the existing Master IPS, based on the Board's previous discussions related to ESG.

Item 14. Chief Benefits Officer's Report

Mr. Riddle indicated in Agenda Item 8, the team processed 49 retirement applications in October. He further advised that, due to the early December Board meeting date, processing numbers for November would be reported in January.

Mr. Riddle noted the slight lull in disability retirement recommendations in December, but due to an influx of IME reports, Staff expects approximately 10 recommendations in January. There are currently 58 pending disability retirement applications.

Mr. Riddle reported that roughly 80% of member account reviews related to Alameda pay elements and adjustments were completed, with about 300 remaining, and that the next Pension Planning Webinar is scheduled for Tuesday, December 12, 2023 at 10 a.m.

ADMINISTRATIVE MATTERS:

Item 15. Actuarial Valuation and Review and GASB 67 Report as of June 30, 2023

Recommendation to adopt the 2024-25 fiscal year employer and member contribution rates recommended by Segal; receive and file the Actuarial Valuation and Review as of June 30, 2023; and receive and file the Governmental Accounting Standards Board Statement 68 Actuarial Valuation as of June 30, 2023.

Todd Tauzer and Andy Yeung of Segal presented this item. Following discussion, a motion was made by Board Member Rinde, seconded by Board Member DeVore, to adopt the 2024-25 fiscal year employer and member contribution rates recommended by Segal; receive and file the Actuarial Valuation and Review as of June 30, 2023; and receive and file the Governmental Accounting Standards Board Statement 67 Actuarial Valuation as of June 30, 2023. **(Adopted 9-0.)**

Item 16. Annual Independent Financial Statement Audit

Recommendation to receive and file the SCERS audited financial statements and auditor reports as of and for the fiscal year ended June 30, 2023, issued by SCERS' independent auditor, Brown Armstrong Accountancy Corporation (Brown Armstrong).

Board Member and Audit Committee Chair Irish presented this item. Following discussion, a motion was made by Board Member Hoover, seconded by Board Member Mangru, to receive and file the SCERS audited financial statements and auditor reports as of and for the fiscal year ended June 30, 2023, issued by SCERS' independent auditor, Brown Armstrong Accountancy Corporation. **(Adopted 9-0.)**

Item 17. Custody Agreement

Recommendation to authorize the Chief Executive Officer to negotiate terms and extend SCERS' custody agreement with State Street Bank and Trust for a period not to exceed three years.

Mr. Davis presented this item, with assistance from Aleph Granados of State Street Bank and Trust. Following discussion, a motion was made by Vice President Aguallo, seconded by Board Member Mangru, to authorize the Chief Executive Officer to negotiate terms and extend SCERS' custody agreement with State Street Bank and Trust for a period not to exceed three years, and to direct Staff to return to the Board in 2024 with more information about initiating an RFP process. **(Adopted 9-0.)**

At 11:44 a.m., President Diepenbrock called for a recess. The meeting resumed at 11:58 a.m.

INVESTMENT MATTERS:

Item 18. Education: Asset Protection

Recommendation to receive and file presentation from State Street Bank and Trust, Verus Advisory, and Cliffwater.

Aleph Granados of State Street Bank and Trust, Brian Kwan of Verus Advisory, and Jamie Fiedler of Cliffwater (via Zoom) presented this item. Board Members Irish (12:24 p.m.) and Rinde (12:48 p.m.) departed the meeting during discussion of this item. Following discussion, a motion was made by Vice President Aguallo, seconded by Board Member Noble, to receive and file the presentation from State Street Bank and Trust, Verus Advisory, and Cliffwater. **(Adopted 8-0.)**

Item 19. Quarterly Investment Performance Report—Third Quarter 2023

Recommendation to receive and file the performance report for the quarter ended September 30, 2023.

Brian Kwan of Verus Advisory presented this item. Following discussion, a motion was made by Board Member Suter, seconded by Board Member Hoover, to receive and file the performance report for the quarter ended September 30, 2023. **(Adopted 8-0.)**

Item 20. Quarterly Investment Performance Report—Alternative Assets

Recommendation to receive and file the performance report for the periods ending September 30, 2023 for the Absolute Return portfolio, and the periods ending June 30, 2023 for the Private Equity, Private Credit, and Real Assets, as presented by Cliffwater.

Jamie Fiedler of Cliffwater (via Zoom) presented this item. Following discussion, a motion was made by Board Member Mangru, seconded by Board Member Hoover, to receive and file to receive and file the performance report for the periods ending September 30,

2023 for the Absolute Return portfolio, and the periods ending June 30, 2023 for the Private Equity, Private Credit, and Real Assets. **(Adopted 8-0.)**

Item 21. Quarterly Investment Performance Report—Real Estate

Recommendation to receive and file the performance report on real estate investments for the quarter ended September 30, 2023, as presented by Townsend Group.

Richard Brown and Chris Cunningham of the Townsend Group presented this item. Following discussion, a motion was made by Vice President Aguallo, seconded by Board Member Mangru, to receive and file the performance report on real estate investments for the quarter ended September 30, 2023. **(Adopted 8-0.)**

OTHER MATTERS:

Item 22. Comments from Members of the Board of Retirement

Board Member DeVore expressed concern about the reversed images in the Board Chambers video screen. President Diepenbrock wished everyone happy holidays.

President Diepenbrock stated that there were no matters for discussion in closed session. Items 23 and 24 were withdrawn.

CLOSED SESSION

Item 23. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Pursuant to Government Code Section 54956.9(d)(2), this session shall be closed for the Board to discuss significant exposure to litigation to which SCERS may be a party in one (1) case.

Item 24. PERSONNEL MATTERS—EMPLOYEE DISABILITY RETIREMENT APPLICATIONS

Pursuant to Government Code Section 54957(b), this session shall be closed for the Board to discuss the employment of public employees, specifically, the disability retirement and service-connected death benefit applicants referenced in Items 6 and 7, above. This item will be withdrawn in whole or in part if approved on Consent as recommended by staff.

ADJOURNMENT

President Diepenbrock adjourned the meeting at 1:43 p.m.