



Executive Staff:

Eric Stern
Chief Executive Officer

Steve Davis
Chief Investment Officer

Stephen Hawley
Chief Strategy Officer

Mario Sierras
Chief Benefits Officer

MINUTES

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, MAY 15, 2019
10:00 A.M.

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

OPEN SESSION

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

Item 2. Public Comment — Todd Thiessen, president of the Law Enforcement Managers Association (LEMA), addressed the Board regarding Item 10 (Legislative Update) and stated his support for Assembly Bill 664.

Item 3. Minutes

**The Board approved the Minutes of the April 17, 2018 meeting.
(9-0)**

CONSENT MATTERS – ITEMS 4 –7:

The Board approved the Consent Matters Items 4-7 (9-0).

Item 4. Ratification of Service Retirement Application Approvals—April 2019
Ratified the Service Retirement Applications that were finalized in April 2019.

Item 5. Trading Activity and Commission Recapture Report—First Quarter 2019
Received and filed the Quarterly Trading Activity Report from the previous quarter.

Item 6. Portfolio Rebalancing Report—First Quarter 2019
Received and filed the Portfolio Rebalancing Report from the previous quarter.

Members of the Board of Retirement:

Rick Fowler, President
Appointed by the Board of Supervisors

John B. Kelly, Vice President
Appointed by the Board of Supervisors

Keith DeVore, Vice President
Appointed by the Board of Supervisors

James Diepenbrock
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous

Ben Lamera
Ex Officio, Director of Finance

Alan Matré, CPA
Elected by the Miscellaneous Members

Kathy O'Neil
Elected by the Retired Members

Matt Petersen
Elected by the Safety Members

John Conneally
Elected by the Safety Members

Martha J. Hoover
Elected by the Retired Members

Item 7. Monthly Report of New Investment Activity—April 2019

Received and filed a report on new investment activity from the previous month.

EXECUTIVE REPORTS:

Item 8. Chief Executive Officer's Report

Chief Executive Officer Eric Stern provided the following updates:

- Mr. Stern introduced and welcomed Steve Lau, SCERS' General Counsel, and Staci Morrison, Communications Media Officer.
- Mr. Stern thanked Lance Kjeldgaard for his work as the Interim General Counsel.
- Mr. Stern provided an update of the retirement applications statistics, and stated that the median processing time for new retirees to receive their first pension check was 34 days in March, and 35 days in April.
- Mr. Stern provided an update to the Service Credit Policy that the Board approved at the April 2019 Board meeting. He stated the Policy incorrectly referenced a December 2018 effective date in one paragraph, instead of the correct effective date of April 28, 2019. The correct effective date was used throughout the rest of the Policy and in the Board agenda memo. He noted that the Policy has been updated to fix the typo and re-posted on the SCERS website.
- Mr. Stern provided information on upcoming education conferences for Board members:
 - SACRS Public Pension Investment Management Program, July 22-24, at UC Berkeley.
 - CALAPRS Principles of Pension Government for Trustees, August 26-29, at Pepperdine University.

Item 9. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided the following updates:

- Mr. Davis stated this is a busy time of the year with a lot of managers coming to market with funds. He said SCERS has closed several investments recently with a few funds currently in due diligence.
- Mr. Davis provided an update on investment staff travel. Mr. Davis stated that Jim Donohue recently attended annual meetings in the Bay Area with Summit Partners, and TPG Sixth Street Partners. Mr. Davis stated that he attended conferences in Los Angeles including the Institutional Investors Private Equity

Summit and the Public Funds Roundtable. Mr. Davis stated that he participated in a couple of panel discussions, one on investing in sector specialist funds in private equity, and another one on private credit. Mr. Davis stated that he also attended the Milken Institute Global Conference in Los Angeles.

ADMINISTRATIVE MATTERS:

Item 10. Legislative Update

Mr. Stern recommended the Board take a formal position to oppose Assembly Bill 664.

Mr. DeVore asked if LEMA approached Mr. Stern or the Retirement System before the bill was introduced. Mr. Stern replied that he was not contacted.

Mr. Petersen commented that he is a member of LEMA, and stated that he reviewed the Board's duties and responsibilities, and affirmed that he can objectively participate in the discussion. Mr. Petersen stated the bill is trying to fix a conflict in law between peace officer duties and provisions of the CERL regarding disability retirement eligibility.

The Board approved a motion to oppose the bill. (7-2, with Mr. Petersen and Mr. Diepenbrock opposing)

BENEFIT MATTERS:

Item 11. Post-Retirement Employment Policy

Mr. Stern presented the policy that he said is intended to clarify the employer's role and SCERS' role regarding retired annuitants. Mr. Stern reminded the Board that at the March 20, 2019 meeting, the Board reviewed a draft version of the revised policy and directed the CEO to solicit comments from stakeholder before finalizing the policy. Mr. Stern stated that changes were made to the policy based on feedback to clarify that the limited duration period was prospective.

Mr. DeVore asked if anyone would have been impacted by the policy if it would have been in place for the last five years. Mr. Stern replied that it is possible, although most retired annuitants work 3-4 years. Mr. Stern stated that extensions to the limited duration term can be granted for retirees working in a public safety capacity and the policy was written with the intent not to disrupt business practices.

Mr. Petersen asked if other retirement systems have defined a limited duration. Mr. Stern replied that other retirement boards have wrestled with the issue, and Mr. Kjeldgaard commented that other boards have created limits.

The Board approved a motion to receive and file the Post-Retirement Employment Policy. (9-0)

Item 12. Marriage Dissolution Documents Policy

Chief Benefits Officer Mario Sierras presented the policy to establish timeframes for submitting marriage dissolution documents as a part of a member's retirement application.

Mr. DeVore asked when a pension is divided as part of a divorce, if the member is required to retire first, or if the non-member spouse can retire on their own. Mr. Kjeldgaard replied that it is an independent process.

The Board approved a motion to receive and file the Marriage Dissolution Documents Policy. (9-0)

Item 13. Felony Forfeiture Policy

Interim General Counsel Lance Kjeldgaard presented the policy to establish a process for felony forfeiture of retirement benefits pursuant to the Public Employees' Pension Reform Act of 2013 (PEPRA). Mr. Kjeldgaard stated that under the PEPRA statutes, a member convicted of a work-related felony forfeits all service credit and accrued benefits, as of the earliest date of commission of the felony and going forward. The policy outlines a process and timeline for SCERS Staff to conduct an investigation and make a recommendation to the Board, which will hold a Special Board Meeting for the member and Staff to present written evidence and oral arguments.

Mr. Diepenbrock asked if SCERS is responsible for monitoring the members for felony convictions. Mr. Kjeldgaard replied that the primary responsibility is on the employer and the prosecuting agency to inform SCERS if a member has been convicted of a work-related felony.

The Board approved a motion to adopt the Felony Forfeiture Policy. (9-0)

INVESTMENT MATTERS:

Item 14. Quarterly Investment Performance Report— First Quarter 2019

Barry Dennis of Verus Advisory presented SCERS' Total Fund Investment Performance for the periods ending March 31, 2019, including information regarding the Growth Asset Category, Diversifying Asset Category, Real Return Asset Category, and Opportunities portfolio as follows:

SCERS TOTAL FUND PERFORMANCE SUMMARY
Quarter Reporting Periods Ending March 31, 2019

SCERS ASSET CLASS	Quarter	Fiscal Year-to-Date	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS TOTAL FUND Return w/Overlay	7.0%	3.7%	5.0%	9.8%	6.5%	8.3%	Jun-86
Policy Index	6.1%	3.1%	4.0%	8.3%	6.2%	8.5%	
InvestorForce Public DB > \$1B	7.6%	2.5%	3.4%	8.5%	6.1%	8.1%	
SCERS TOTAL FUND Return w/o Overlay	6.5%	3.6%	4.9%	9.6%	6.7%	8.2%	Jun-86
Policy Index	6.1%	3.1%	4.0%	8.3%	6.2%	8.5%	
GROWTH ASSET CATEGORY	9.9%	4.0%	5.7%			10.9%	Mar-17
Custom Benchmark	9.0%	3.0%	4.2%			9.0%	
DIVERSIFYING ASSET CATEGORY	2.5%	2.6%	1.8%			2.5%	Mar-17
Custom Benchmark	2.7%	3.1%	2.8%			2.9%	
REAL RETURN ASSET CATEGORY	2.7%	3.0%	5.9%			9.2%	Mar-17
Custom Benchmark	1.1%	2.8%	4.5%			6.5%	
OPPORTUNITIES PORTFOLIO	2.0%	6.1%	5.2%	5.3%	6.5%	15.5%	Oct-07
Custom Benchmark	6.1%	3.1%	4.0%	8.3%	6.2%	7.7%	

The Board approved a motion to receive and file the Total Fund Quarterly Investment Performance Report. (9-0)

Item 15. General Investment Consultant Contract

Chief Investment Officer Steve Davis presented a recommendation for the Board to renew and extend the contract with Verus Advisory for general investment consulting services, for a three-year term, and authorize SCERS' Chief Executive Officer to negotiate and execute documents necessary to update the contract.

The Board approved a motion to renew and extend the General Investment Consultant Contract. (9-0)

Item 16. Real Estate Consultant Contract

Chief Investment Officer Steve Davis presented a recommendation for the Board to renew and extend the contract with the Townsend Group for real estate investment consulting services, for a three-year term, and authorize SCERS' Chief Executive Officer to negotiate and execute documents necessary to update the contract.

The Board approved a motion to renew and extend the General Investment Consultant Contract. (9-0)

CLOSED SESSION

Upon conclusion of Item 16, Mr. Fowler called for a closed session at 11:15 a.m. to discuss litigation matters.

OPEN SESSION

Mr. Fowler reconvened the meeting in open session at 11:57 a.m., and announced that there was nothing to report out of the closed session regarding Item 17 or Item 18.

ADJOURNMENT

There being no further business, the meeting was adjourned at 11:57 a.m.

MEMBERS PRESENT: John B. Kelly, Keith DeVore, James A. Diepenbrock, Diana Gin, Ben Lamera, Alan Matré, Kathy O’Neil, Matt Petersen, John Conneally, Martha J. Hoover, and Rick Fowler presiding

MEMBERS ABSENT:

OTHERS PRESENT: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Andrew L. Kjeldgaard, Interim General Counsel; Mario Sierras, Chief Benefits Officer; Jim Donohue, Deputy Chief Investment Officer; JR Pearce, Investment Officer; Debbie Chan, Senior Accounting Manager; Jett Lewis, Retirement Service Analyst; Jenna Taylor, Retirement Service Analyst; Amy Larson, Sr. Personnel Analyst; John Lindley, IT Administrator; Brad Akin, IT Analyst; Barry Dennis, Verus Advisory, Inc.; Jennifer Young-Stevens, The Townsend Group; Todd Thiessen, Law Enforcement Managers Association; Steve Baird, Department of Technology; Stephen Lau, Staci Morrison; and, Debbie Musilli-Sidhu, Executive Secretary.

Respectfully submitted,

/S/

Eric Stern
Chief Executive Officer and
Secretary of the Retirement Board

APPROVED: _____
Richard B. Fowler II, President

DATE: _____



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
June 19, 2019

MOTION:

Minutes

THE BOARD OF RETIREMENT hereby approves the Minutes of the May 15, 2019, regular meeting.

I HEREBY CERTIFY that the above order was passed and adopted on June 19, 2019, by the following vote of the Board of Retirement, to wit:

AYES: DeVore, Gin, Lamera, Matré, O'Neil, Petersen

NOES: None

ABSENT: Fowler, Kelly, Diepenbrock

ABSTAIN: None

A handwritten signature in blue ink, appearing to read "Keith DeVore".

Keith DeVore
Board Vice President

A handwritten signature in blue ink, appearing to read "Eric Stern".

Eric Stern
Chief Executive Officer and
Board Secretary