



MINUTES

Executive Staff:

Eric Stern
Chief Executive Officer

Steve Davis
Chief Investment Officer

Stephen Lau
General Counsel

Stephen Hawley
Chief Strategy Officer

Mario Sierras
Chief Benefits Officer

REGULAR MEETING OF THE BOARD OF RETIREMENT

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

WEDNESDAY, NOVEMBER 20, 2019
10:00 A.M.

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

OPEN SESSION

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 A. Diepenbrock
Appointed by the Board of Supervisors

Diana Gin
Elected by the Miscellaneous Members

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

Item 2. Public Comment—None.

CONSENT MATTERS – ITEMS 3-9:

The Board approved the Consent Matters Items 3-9 (7-0, with Mr. Petersen abstaining on Item 4). Mr. Fowler called for the vote at 11:03 a.m. to ensure all members in attendance voted.

Item 3. Disability Retirement Applications

- A. CHETAL, Mahesh; Granted a nonservice-connected disability retirement as recommended by staff.
- B. DROSZCZ, Michael; Granted a service-connected disability retirement as recommended by staff.
- C. HONE, David; Denied a service-connected disability retirement per proposed decision of the Administrative Law Judge.
- D. WELCH-MCINTYRE, Mattie; Denied a service-connected disability retirement as recommended by staff.
- E. Reference: General Law and Authorized Board Actions on Disability Retirement Proposed Decisions.

Item 4. Minutes—Approved the Minutes of the October 16, 2019 meeting.

- Item 5. Ratification of Service Retirement Application Approvals—October 2019—**Ratified the Service Retirement Applications that were finalized in the previous month.
- Item 6. Portfolio Allocation and Rebalance Report—Third Quarter 2019—**Received and filed the Portfolio Rebalancing Report from the previous quarter.
- Item 7. Trading Cost Analysis and Commission Recapture Report—Third Quarter 2019—**Received and filed the Quarterly Trading Activity Report from the previous quarter.
- Item 8. Monthly Investment Manager Activity, Compliance and Watch List Report—October 2019—**Received and filed a report on manager compliance issues from the previous month.
- Item 9. Monthly Report of Investment Activity—October 2019—**Received and filed a report on investment activity from the previous month.

EXECUTIVE REPORTS:

Item 10. Chief Executive Officer's Report

Chief Executive Officer Eric Stern provided the following updates:

- Mr. Stern thanked Martha Hoover, Ben Lamera, and Dave Comerchero for serving as Celebrity Judges for SCERS' annual staff chili cook-off earlier in the week.
- Mr. Stern reported that SCERS has successfully completed lease negotiations with Hines to extend our lease another 10 years. SCERS worked with real estate attorneys at Nossaman to review the lease. Mr. Stern thanked the ad hoc office committee—Mr. Diepenbrock, Mr. DeVore, and Ms. Hoover—for their work and guidance through the process.
- Mr. Stern noted that staff and several trustees attended the recent SACRS Conference and said the conferences provide a tremendous value in networking with peers from other county retirement systems and trading notes on best practices. He provided a copy of the RVK Public Fund Universe Analysis from the conference that shows how SCERS compares to the other '37 Act systems and public pension plans.

Item 11. Chief Investment Officer's Report

Chief Investment Officer Steve Davis provided the following updates:

- Mr. Davis stated that SCERS hired Brookfield Asset Management at the September meeting to manage a \$100 million active liquid real return strategy, with a corresponding reduction of the existing State Street Global Advisors (SSGA) real return overlay proxy by \$100 million. SCERS developed a transition plan and determined Brookfield could effectively transition/implement the portfolio because there was meaningful overlap between SSGA and Brookfield within REITs and global infrastructure equities. SCERS transferred

SSGA's REIT/infrastructure exposure over to Brookfield, and SCERS had Brookfield cross trade the common exposures. SCERS had Brookfield execute the non-equity purchases separately (real return debt) and SSGA execute the non-equity sales separately (commodities, TIPS, natural resource stocks). The transition occurred early in the week of November 18th.

- Mr. Davis stated that Verus will present updated capital market assumptions (CMAs) at the December meeting. Mr. Davis stated that the CMAs contain expected returns, volatility, and correlations among asset classes. Mr. Davis stated that the CMAs serve as an input into SCERS' asset liability modeling studies, and Segal actuarial valuation studies. Mr. Davis stated that Verus will also tie their updated CMAs to SCERS' current Strategic Asset Allocation, to show where we currently stand from a risk return perspective. Mr. Davis stated that it is timely given that Segal will be conducting a triennial experience study in 2020, and CMAs serve as inputs in determining the appropriate actuarial rate of return.
- Mr. Davis stated that SCERS' market value of its assets during the fourth quarter hit \$10 billion for the first time.

ADMINISTRATIVE MATTERS:

Item 12. Actuarial Valuation and Review and GASB 67 Report as of June 30, 2019

Andy Yeung and Todd Tauzer of Segal Consulting presented the SCERS Actuarial Valuation and Review as of June 30, 2019.

Mr. Yeung discussed the funded status as presented in the table below:

Funded Status Dollar Amounts in Thousands					
Valuation Year Ending June 30	(1) Actuarial Accrued Liability	(2) Market Value of Assets	(3) Market Value of Assets as a % of Actuarial Accrued Liability (2)/(1)	(4) Actuarial Value of Assets	(5) Actuarial Value of Assets as a % of Actuarial Accrued Liability (4)/(1)
2019	\$11,895,520	\$9,821,694	82.6%	\$9,703,313	81.6%
2018	\$11,213,263	\$9,251,937	82.5%	\$9,123,004	81.4%

The Board approved a motion to adopt the 2020-21 fiscal year employer and member contribution rates recommended by Segal Consulting; receive and file the Actuarial Valuation and Review as of June 30, 2019; and receive and file the Governmental Accounting Standards Board Statement 67 Actuarial Valuation as of June 30, 2019. (7-0)

Item 13. Records Retention Policy

General Counsel Stephen Lau presented the Records Retention Policy that will assist

SCERS in establishing efficient records management procedures regarding the maintenance and disposal of SCERS' records.

Item 14. The Board approved a motion to approve the Records Retention Policy. (7-0) Amendments to SCERS' Bylaws

General Counsel Stephen Lau presented amendments to SCERS' Bylaws including updating the list of acceptable proofs of birth, and recognizing SCERS' acceptance of electronic member signatures.

The Board approved a motion to approve the amendments to SCERS' Bylaws. (7-0)

Item 15. Total Fund Investment Performance Report—Third Quarter 2019

Barry Dennis and John Nicolini of Verus Advisory presented SCERS' Total Fund Investment Performance for the periods ending September 30, 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 September 30, 2019

SCERS ASSET CLASS	Quarter	Year-to-Date	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS TOTAL FUND Return w/Overlay	1.0%	11.8%	5.9%	9.3%	7.1%	8.3%	Jun-86
Policy Index	0.8%	10.3%	4.5%	7.8%	6.4%	8.5%	
InvestorForce Public DB > \$1B	0.6%	11.5%	3.7%	8.0%	6.5%	8.1%	
SCERS TOTAL FUND Return w/o Overlay	1.0%	11.2%	5.6%	9.3%	7.1%	8.3%	Jun-86
Policy Index	0.8%	10.3%	4.5%	7.8%	6.4%	8.5%	
GROWTH ASSET CATEGORY	0.7%	15.1%	4.4%	-	-	10.6%	Mar-17
Custom Benchmark	0.5%	13.5%	3.3%	-	-	8.9%	
DIVERSIFYING ASSET CATEGORY	1.6%	7.1%	7.3%	-	-	3.8%	Mar-17
Custom Benchmark	1.4%	7.0%	7.5%	-	-	4.0%	
REAL RETURN ASSET CATEGORY	1.2%	6.3%	7.5%	-	-	8.7%	Mar-17
Custom Benchmark	0.8%	3.2%	3.4%	-	-	6.0%	
OPPORTUNITIES PORTFOLIO	5.0%	6.3%	8.5%	5.5%	7.0%	15.2%	Oct-07
Custom Benchmark	0.8%	10.3%	4.5%	7.8%	6.4%	8.5%	
DEDICATED CASH	0.2%	-	-	-	-	0.2%	Jun-19
Overnight LIBOR	0.4%	-	-	-	-	0.4%	

The Board approved a motion to receive and file the Total Fund Quarterly Investment Performance Report. (7-0)

CLOSED SESSION

Upon conclusion of Item 15, Mr. Fowler called for a closed session at 11:04 a.m. to discuss the Chief Executive Officer performance evaluation (Item 16).

OPEN SESSION

Mr. Fowler reconvened the meeting in open session at 11:57 a.m., and announced that the Board discussed the performance evaluation of the Chief Executive Officer, and approved 7-0 a 5% step increase effective December 8, 2019 (Item 16).

ADJOURNMENT

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

MEMBERS PRESENT: James A. Diepenbrock (arrived at 10:07), Diana Gin, Ben Lamera (arrived at 10:51), Alan Matré, Kathy O’Neil, Matt Petersen, John Conneally (safety alternate), and Rick Fowler presiding

MEMBERS ABSENT: John B. Kelly, Keith DeVore, and Martha Hoover (retiree alternate)

OTHERS PRESENT: Eric Stern, Chief Executive Officer; Steve Davis, Chief Investment Officer; Stephen Lau, General Counsel; Stephen Hawley, Chief Strategy Officer; Mario Sierras, Chief Benefits Officer; Jim Donohue, Deputy Chief Investment Officer; Brian Miller, Investment Officer; Debbie Chan, Senior Accounting Manager; John Lindley, IT Administrator; Gina Cameron, Retirement Services Manager; Steven Franco, Retirement Services Analyst; Jenna Taylor, Retirement Services Analyst; Jett Lewis, Retirement Services Analyst; Chao Thor, Disability Retirement Analyst; Dave Comerchero, Personnel Services; Barry Dennis and John Nicolini, Verus Advisory, Inc.; Andy Yeung and Todd Tauzer, Segal Consulting; Kelsey Johnson, County Counsel; 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: _____